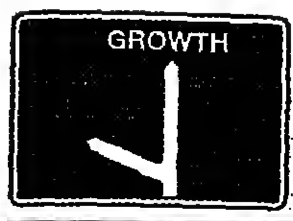
FINANCIAL TIMES



Bouncing back
UK car industry's road to growth
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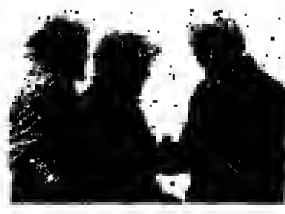

Ageing issue
Cutting the pension burden
Samuel Brittan, Page 14

Mind drugs
Pills in place of therapy
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Lessons learnt
How Citic made peace with LME
Page 6

World Business Newspaper THURSDAY MARCH 16 1995 D8523A

Dini government's survival hangs on mini-budget vote

The future of the two-month-old Italian government of Lamberto Dini hangs on the outcome of a parliamentary confidence motion today on a L20,000bn ($11.9bn) mini-budget intended to bolster the country's economy. The government may survive by the narrowest of margins, and uncertainty about its fate pushed the lira once again below L1,200 to the D-Mark. Page 16

WTO stand-in agrees to extend term: The world's trade ambassadors, unable to agree on who should lead the World Trade Organisation, begged Mr Peter Sutherland, interim chief, to stay on hours before be was due to leave his post. Mr Sutherland said he had agreed to extend his term to April 30 while top trade envoys gave themselves another 10 days to reach a decision on who should become the WTO's director-general. Page 16

Indian budget to revive popularity: India's ruling Congress party, smarting at serious setbacks in recent state polls, aimed at reviving support with an annual budget emphasising increased welfare provisions for India's rural poor. Page 6; Editorial Comment, Page 15; Russian budget passed, Page 3

Liffe and CBoT to link: The Chicago Board of Trade and the London International Financial Futures Exchange, the largest centres for long-term government bond futures and options trading, are to trade each other's products. Page 17

Two killed in Azerbaijan clashes: A power struggle in oil-rich Caspian republic of Azerbaijan erupted into physical clashes, claiming two lives, according to the Russian news agency Itar-Tass. Page 2

Asia leading demand for drugs: The rapidly growing economies of east Asia are also the world's most significant emerging markets for narcotic drugs, according to the United Nations Drug Control Programme. Page 6

Argentine VAT faces opposition: A bill to raise value added tax by three points to 21 per cent, part of measures designed to rekindle confidence in Argentine solvency, faces opposition in the country's Congress. Page 8

SBC income drops by $680m: Swiss Bank Corporation's net income tumbled 41 per cent to SFr811m ($687m) in 1994, mainly because of a two-thirds plunge in its profits from trading. Page 17

Suzuki cuts Spanish link: Suzuki of Japan pulled out of its troubled Spanish subsidiary Santana Motor, selling its 83.7 per cent holding to the regional government of Andalucia for a symbolic Pta1, industry officials in Seville said. Page 19

Russian PM attacks Moscow council: Victor Chernomyrdin, the Russian prime minister, threw his weight behind the Kremlin in its power struggle with Moscow's city council. Page 3

Wal-Mart to invest $100m in Brazil: Wal-Mart, the US discount retailer, announced its entry into Brazil with plans to open five stores via a joint venture with an initial investment of up to $100m. Page 19

Europe missing Asian opportunities: European companies have fallen behind in the race to invest in Asia and face growing competition for opportunities from companies based in the region, according to a study by the UN Conference on Trade and Development. Page 9

Ireland awards oil licences: Ireland awarded eight oil exploration licences in the first large auction of offshore blocks for more than a decade. Chevron, Total, Marathon, Statoil, Conoco and Occidental were among 15 companies awarded 32 blocks. Page 9

Israel checks on art find: Police in Jerusalem are trying to determine whether 14 canvases recovered in Israel are masterpieces by Van Gogh, Picasso and Degas stolen in France last month. A 53-year-old tourist from France and e Tel Aviv art dealer are being beld by police.

New songs from the Beatles: Beatles Paul McCartney George Harrison and Ringo Starr have recorded new songs to be released at the end of the year.

News Corp chief quits: Gus Fischer, chief executive of Rupert Murdoch's News International and chief operating officer of the parent News Corporation, resigned unexpectedly. Page 24

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,039.76	(-8.99)
NASDAQ Composite	807.29	(-0.95)
Europe and Far East		
CAC40	1,738.60	(-30.39)
DAX	2,010.14	(+9.69)
FT-SE 100	3,047.8	(-3.6)
Nikkei	16,666.8	(+421.01)

US LUNCHTIME RATES

Federal Funds	6⅛%
3-mth Treas Bills: Yld	5.911%
Long Bond	102 3/32
Yield	7.377%

OTHER RATES

UK: 3-mo Interbank	6 15/32%	(6 11/16%)
UK: 10 yr Gilt	99 31/32	(99 1/2)
France: 10 yr OAT	96.22	(96.39)
Germany: 10 yr Bund	100.56	(100.64)
Japan: 10 yr JGB	103.531	(103.419)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$16.56	(16.45)

GOLD

New York Comex		
(Apr)	$387.2	(386.5)
London:		
close	$386.6	(384.9)

DOLLAR

New York lunchtime		
£	1.58655	
DM	1.3917	
FFr	4.952	
SFr	1.154	
Y	89.7	
London:		
£	1.5965	(1.5878)
DM	1.3926	(1.4136)
FFr	4.9494	(5.0206)
SFr	1.156	(1.1765)
Y	89.855	(91.165)

STERLING

DM	2.2233	(2.2445)
Tokyo close:	Y 90.8	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lev100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Esc250	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Fish row eases as Canada releases Spanish trawler

EU commissioner agrees to hold informal talks on dispute

By Caroline Southey in Brussels, David White in Madrid and Bernard Simon in St John's, Newfoundland

Canada last night released the Spanish vessel at the heart of its fishing disputs with the European Union, paving the way for talks to restore relations.

The payment of a bond of C$500,000 ($342,000) by the owners of the Estai, the Vigo-based fishing company Pereira, cleared the way for the release of tbe trawler, which was impounded by Canada last week.

"I wanted to inform you that the Estai boat has been released," said Ms Emma Bonino, EU fisheries commissioner, last night.

She said the trawler would be able to leave with all of its catch as soon as the crew could board.

Last night, Spain's ambassador to Canada, Mr Jose Luis Pardos, speaking in a room overlooking St John's Harbour, Newfoundland, where the Estai is currently moored, said that the vessel's crew, who were due to return to Spain last night by air, may leave on the ship.

"I do believe this is the first step by whicb the Canadians are trying to be reasonable again," said Mrs Bonino. An EU official said last night: "This would be enough to kick off negotiations which could start today."

Mrs Bonino said she was now willing to begin informal discussions with Canada to prepare for a meeting of the Northwest Atlantic Fisheries Organisation (Nafo) in Brussels on March 22-24 to discuss the dispute.

Nafo comprises 15 countries with fishing interests in the area such as Russia, Norway, Poland, Japan, South Korea, Cuba and Bulgaria as well as Canada, the US and the EU. A Spanish official last night said "there is a chink of light" but cautioned that the question of a share-out of the turbot quota had still to be resolved.

"It is a decision that may contribute to creating a favourable climate and help solve the problems caused by the illegal seizure."

Talks within Nafo are likely to relate to broader issues such as conservation of fish stocks, the share-out of the quota and enforcement measures in the disputed fishing grounds known as the Nose and Tail of the Grand Banks, which lie just outside Canada's 200-mile fishing zone.

Meanwhile Mr Brian Tobin, Canada's fisheries minister, said that the authorities have recovered the Estai's nets, which were cut while the trawler was under pursuit last week. Mr Tobin said earlier that Canada was prepared tn arrest a second Spanisb trawler if it did not stop fishing in the disputed area.

Canada has accused the Estai and other EU vessels of exceeding internationally agreed quotas for Greenland halibut, known as turbot in Canada, and of using small-mesh nets to catch small fish. The EU has disputed Canada's claims.

Earlier yesterday, before the release of the vessel, Mr Luis Atienza, Spanish agriculture and fisheries minister, said that Spain would not halt fishing activity in internatinnal waters off Newfoundland because of the dispute.

He told a parliamentary committee that to stop fishing would be "a dangerous precedent" for the Spanish fishing fleet, which operated in all the world's oceans.

Editorial Comment, Page 15

Balladur wants officials punished ■ Public reassured on new tax fears

Anger over $10bn 'hole' at Crédit Lyonnais

By Andrew Jack and David Buchan in Paris

The French government moved yesterday to calm public anger after admitting that losses of FFr50bn ($10bn), far larger than expected, have been found at state-owned bank Crédit Lyonnais, which is the centre of increasing controversy at home and in Brussels.

Mr Edouard Balladur, the prime minister, has demanded that officials responsible for the losses et the bank should be punished, while Mr Edmond Alphandéry, the economy minister, insisted yesterday that "there will be no call for extra money from the French taxpayer".

The prime minister's demand for action comes as the health of the bank – and the cost to the public of covering its losses – have moved to centre stage of campaigning ahead of the first round of the French presidential election next month.

A complex rescue plan for the bank, which may be announced as early as Friday, will involve a state guarantee for about FFr130bn of assets and loans that will be moved into a separate state-backed company.

Mr Alphandéry said that future profits would be used to cover past losses. He said there was "a hole of some FFr50bn" in Crédit Lyonnais' accounts, reflecting the sum still needed as provisions against past losses.

But, he said, in the future the state would "take some of the bank's profits each year to fill in this bole". This profit constraint on the bank could last 20 years, an official said.

After last year's injection of FFr23.3bn of state capital and guarantee, this second rescue attempt of the public bank comes barely more than a month before the first round in the presidential race.

However, the impact of Mr Balladur's demands for punishment was lessened by government confirmation that it planned no new prosecution, beyond those already launched by Crédit Lyonnais' new president, Mr Jean Peyrelevade, into possible fraud and embezzlement in two of the bank group's subsidiaries.

Three ex-employees and associates of one of these subsidiaries – International Bankers SA – were last Friday remanded in custody on suspicion of fraud in a Paris property venture. The government may, however, join Crédit Lyonnais in any civil suits against employees or debtors.

On Tuesday, Mr Alphandéry outlined his plan to Mr Karel Van Miert, the EU competition commissioner, who welcomed the pledge from Paris not to use more taxpayers' money in the rescue. But Brussels still announced yesterday an investigation into the state aid constituted by the planned government guarantee.

Mr Marc Viénot, president of Société Générale, said yesterday in Paris that be suspected that in the end, "the taxpayer will end up paying for the dead wood" in Crédit Lyonnais.

A senior member of the government acknowledged that it had to strike a delicate balance in ensuring that Crédit Lyonnais shoulders a substantial part of the burden of its rescue "without making it so unprofitable that it would not be privatisable".

Hunt on for culprits, Page 2
Lex, Page 16

Edouard Balladur waves to supporters in Montpellier while campaigning for the French presidency. Mr Balladur has demanded that officials responsible for losses at Crédit Lyonnais should be punished EPA

Chinese investment chief quits in wake of $40m loss

By Tony Walker in Beijing

Mr Wei Mingyi, chairman of China International Trust and Investment Corporation, Beijing's main overseas investment vehicle, has submitted his resignation, in a move which Citic insisted yesterday was not connected "directly" with $40m losses it suffered trading on the London Metals Exchange.

But the London trading fiasco has almost certainly led to a review of Citic's management structure, and controls over the group's expanding businesses at home and abroad are likely to be strengthened. Arguments are certain to have been made for a younger leadership – the resignetion was attributed to "age reasons".

The departure of Mr Wei, 71, from the post he has occupied since 1993, ends several days of intense specnlation about tbe future leadership of China's most prominent business conglomerate. Reports last week suggested Mr Wei would move aside for Mr Wang Jun, 51, the current president, but Citic was saying on Monday its chairman would stay for the time being. Citic officials had no explanation for the confusion. Mr Wang is

Continued on Page 16

Citic negotiator bears echoes of Barings, Page 6

S Africa budget aims to cut deficit and boost investment

By Mark Suzman and Roger Matthews in Cape Town

Ths African National Congress-led government in Soutb Africa yesterday announced its first annual budget, a conservative document designed to restrain spending while increasing allocations to politically sensitive areas sucb as education, bousing and bealth.

In a bid to attract more foreign investment, Mr Chris Liebenberg, minister of finance, said be would scrap a non-resident sharebolder's tax, currently imposed as a surcharge on all dividends sent abroad. He also announced the end nf remaining surcharges on consumer good imports.

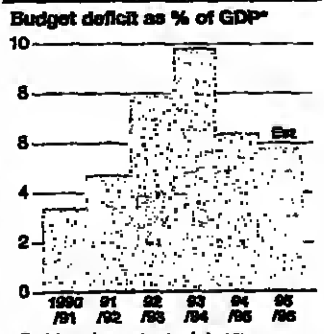
The fiscal deficit is forecast to drop from 6.4 per cent of gross domestic product to 5.8 per cent, broadly in line with expectations, following the successful abolition of the country's two-tier currency system.

Financial markets reacted positively and the rand strengthened against the dollar for the third consecutive day. Some analysts were concerned that the drop in the budget deficit would not be greater, given thet the economy was growing strongly. "It's moving in the right direction, but not quickly enough," said Mr Rob Lee, economist at financial group Board of Executors.

Spending on social services, aimed primarily at redncing inequalities between blacks and whites, will account for 57.4 per cent of total expenditure, up from 52.8 per cent. The housing budget, one of the government's biggest priorities, will more than double to R3.9bn (£502m).

South Africa

Budget deficit as % of GDP*



* Revisions due to structural changes
Source: Standard Bank, London

Mr Liebenberg said the government had aimed for an "investor and trade friendly" programme, while trying to address the real needs of South Africa's population. He said the budget would do nothing to stifle growtb and might even prove expansionary.

"Faced with limited resources and the institutional legacy we inherited, we have nonetheless achieved impnrtant changes within a budget that must be politically feasible, economically affordable and managerially sound," he told parliament in Cape Town.

Income tax is increased to a top marginal rate of 45 per cent, up from 43 per cent, while taxes on fuel, alcohol and tobacco are all increased, the last "significantly above the level of inflation" in order to bring it in line witb "international standards". In an attempt to bring more people into the tax net, a one-off tax amnesty was declared.

The biggest beneficiaries of the budget are married women who previously had to pay higher rates of income tax. In lins with the requirements of the new constitution, they will be assessed equally with other taxpayers.

With the government conservatively budgeting for a growth rate of 2.7 per cent for the year, estimated net revenue loss from all the changes is R850m, bringing the total revenue estimate for 1995/96 to R123bn.

Mr Liebenberg said that he had not made any provisions for proceeds from possible privatisation, although be did budget for an extra R1.2bn that will be raised from the sale of strategic oil reserves accumulated during the sanctions era. Given total expenditure budgeted at R153.3bn, this will leave a deficit of R29.1bn.

The gross borrowing requirement of R38bn will be slightly higher than 1994/95.

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NEWS: EUROPE

Hunt for culprits in French bank debacle

Heads seem certain to roll, writes **David Buchan** in Paris, but not too many and not very senior ones

The imminence of yet another state rescue of Crédit Lyonnais, coinciding with the presidential election, has plunged France into a further bout of the "blame game" over responsibility for losses at the country's biggest bank.

Mr Edouard Balladur, the prime minister, bas asked Mr Edmond Alphandéry, his economy minister and supporter in the presidential campaign, to "do everything to punish those responsible" for the state-owned bank's losses, potentially FFr50bn ($10bn). Such punishments, bowever, are unlikely to go beyond the criminal prosecutions already launched by the bank. These have resulted in three ex-employees of a Crédit Lyonnais subsidiary being remanded in jail on suspicion of fraud and embezzlement.

One man likely to escape retribution is Mr Jean-Yves Haberer, who headed Crédit Lyonnais from 1988 to 1993. Last yaar's parliamentary inquiry criticised him for serious "errors of judgment" in taking the bank into an uncontrolled splurge of dubious industrial and property lending that the 1992-93 recession turned sour. However, it found no evidence that he had pocketed any of the bank's money.

"If one put in prison all those guilty of errors of judgment, one would hava to multiply the justice ministry's budget many times," said a senior government member yesterday. Nor is the state best placed now to penalise past actions which, as the bank's shareholder, it condoned.

But Mr François d'Aubert, a conservative deputy who acted as the *rapporteur* for the parliamentary inquiry, complained yestarday that Mr Haberer had "fooled" the national assembly and that legal proceedings should be taken against him.

Mr Jean Peyrelevade, who took over the bank in 1993 with a promise to clean out the Augean stables of its murky financial past, said be would prosecute any employees suspected of defrauding it. He has started legal action in two cases:

● The first concerns Mr Michel de Brem, the former head of International Bankers Inc (IBI), as well as two former employees and associates, who have been remanded in custody on suspected fraud relating to the Passage du Havre commercial complex near Paris's St Lazare station. Originally a Luxembourg company, IBI came under control of a Crédit Lyonnais subsidiary in 1990 when its head, Mr Jean-Maxime Lévêque, who had been president of Crédit Lyonnais in 1986-88, persuaded his successor, Mr Haberer, to take a large stake in it.

● The second concerns the Société de Banque Occidentale (SDBO), a Crédit Lyonnais subsidiary specialising, among other activities, in the re-floating of bankrupt companies. Since this was also the speciality of Mr Bernard Tapie, whose business and political careers now appear to be ending in a barrage of litigation, Mr Tapia became a big client of the SDBO.

But Crédit Lyonnais says the reason it has asked police fraud investigators to look into SDBO is distinct from the bank's own problems with Mr Taple, which are just those of a bank and one of its clients – albeit the most troublesome. Crédit Lyonnais has seized Mr Tapie's furniture and artworks, and has a legal lien on his Paris mansion and yacht in Marseilles. But the value of these does not apparently amount to the FFr1.2bn lent to Mr Tapie, and the bank is taking separate legal action.

By promising to be tougher with all tardy creditors, Mr Peyrelevade said last autumn that he hoped to recover at least FFr12bn of the FFr70bn loans against which the bank had already made provisions.

If there is credit to be gained from cleaning up the bank, the government does not want it going solely to Mr Peyrelevade. This is all the more so because he is a Socialist who worked for the Mauroy government in the early 1980s, a point that Mr Lionel Jospin, the Socialist presidential candidate, did not fail to make this week.

Edmond Alphandéry: on the case

Lionel Barber reports on Union plans for incorporating former communist states

EU considers where to place welcome mat

After several false starts, the European Union is close to developing a hlueprint for incorporating the former communist countries of central and eastern Europe.

Next month the European Commission will unveil a comprehensive list of measures deemed necessary to adapt the economies of the six associate EU members – Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania – to the rigours of the Union's internal market.

This so-called white paper goes well beyond macro-economic "shock therapy" or privatisation which tba eastern Europeans have employed, to varying degree, since 1989 to reform tbeir economies. Rather, it is a road map for making tbeir banking, legal, transport and other economic sectors compatible with EU norms.

Yet the process bas raised some fundamental political questions, ootably how high to set the standards for adaptation in a single market where compliance among existing member states still leaves much to be desired. In short, will the white paper be a stepping stone or a stumbling block for plans to build a "wider Europe"?

A senior Brussels official said the Commission and the member states faced a dilemma. "There is a danger of sending the wrong signal to the east Europeans, either if we are too lax or too tough."

Tha white paper exercise is the logical extension of trade liberalisation witb the EU which began, grudgingly, in 1991 and has since accelerated. (Free trade in industrial goods will take place this year, with steel and textiles following in 1996 and 1997 respectively.)

Inevitably, the exercise has evoked comparisons with British commissioner Lord Cockfield's celebrated 1985 white paper which set out measures for the then European Community to complete the singla market by 1992.

But, though both operations involve military-style planning and co-ordination of a kind which would make Napoleon proud, the comparison ends there.

"The difference with the Cockfield exercise is that people were talking about harmonising from a certain common base," explains one official, "bot in central Europe that base hardly exists."

This is particularly true of the administrative bodies dealing with standards and norms – the so-called "infrastructure" for policing a single market which in western Europe is often handled by trade associations hut which in eastern Europe has always heen the preserve of the state, says a Commission official.

The billion Ecu qnestion is to decide how high to set the requirements for adaptation in areas such as social and environmental policy wbere the central Europeans are leagues behind their western counterparts.

The initial response from officials inside DG15, the directorate responsible for the single market, was to play down the significance of social policy. In their view, issues such as bealth and safety in the workplace or noise levels for construction machinery did not belong in the white paper and should be dealt with in future accession negotiations.

Enter Mr Padraig Flynn, EU social policy commissioner. He has argued strongly against UK-style opt-outs in social policy. Though be is not pressing for the newly emerging democracies to take on board all 47 measures in the EU's social charter, be wants an explicit acknowledgement that economic and social policy have equal status.

"We thought we had settled all this in the Maastricht treaty. Memher states would not bave signed up to the single market if they had not accepted both the social and economic dimension of the toternal market," said a Flynn supporter.

A parallel debate is raging abont proposals from the energy directorate which is pressing for a commitment from the central and eastern Europeans to deregulate their energy sectors – despite the fact that the UK alone among fellow member states has taken decisive steps to open up competition in this area.

Senior Brussels officials express confidence that the two commissioners responsible for the white paper – Mr Mario Monti, the Italian professor who heads the single market, and Mr Hans van den Broek, responsible for external political affairs – will forge a compromise. But the arguments point to future splits inside the member states when they consider the whita paper next month.

It is tempting to conclude that the EU is trying to lower expectations among the central and eastern Europeans about early membership.

"The white paper is an attempt to reverse the burden of proof," says a central European diplomat. "It offers no timetable for membership and does not differentiate between the needs of the various countries."

Another eastern European diplomat argues that the white paper exercise is a clever attempt to mark time as the EU prepares to grapple with the institutional consequences of future enlargement at the 1996 inter-governmental conference to review the Maastricht treaty.

This last interpretation may be too cynical by half, but it reflects a suspicion among some of the EU aspirants that enlargement eastwards will prove a lot more elusive than first imagined. In the absence of a serious debate in Brussels or other European capitals about tbe consequences of enlargement on EU policy such as the common agricultural policy, these suspicions seem certain to grow.

Greater Europe: the EU's domain widens

Membership past & present

First there were the Six (1958)
1 Belgium
2 France
3 Germany (west)
4 Italy
5 Luxembourg
6 Netherlands

... then the Nine (1973)
7 Denmark
8 Ireland
9 UK

... the Ten (1981)
10 Greece

... the Twelve (1986)
11 Portugal
12 Spain

... and now the Fifteen (1995)
13 Austria
14 Finland
15 Sweden

Towards the next century

c2000
16 Bulgaria*
17 Cyprus†
18 Czech Republic*
19 Hungary*†
20 Malta†
21 Poland*†
22 Romania*
23 Slovakia*
24 Slovenia

* EU drawing up proposals for integration into its single market in preparation for full membership

Other potential members

25 Estonia**
26 Latvia**
27 Lithuania**

** EU planning negotiations for association agreements

28 Albania
29 Iceland
30 Turkey†

† Have formally applied to join

Slovenia and the European Commission intend to wrap up negotiations on associate EU membership for the former Yugoslav republic in the next three months, according to a joint statement issued in Brussels yesterday, writes Lionel Barber.

This fast-track route to associate membership would allow Slovenia, which ranks among the most advanced economies in eastern Europe, to take part in the pre-accession strategy for central and east European countries which includes preparing for full access to the single European market.

The statement yesterday followed inaugural talks between the Commission and Mr Zoran Thaler, Slovenian foreign minister, on a "Europe agreement" leading to associate membership. The talks followed a compromise whereby Italy lifted its veto on negotiations in return for Slovenian guarantees on the rights of nationals dispossessed of their real estate in Istria, now Slovenia.

Britain more sceptical over European defence

The focus remains on Nato, writes **Bruce Clark**, Diplomatic Correspondent

Naw proposals hy Britain on European security have raised eyebrows among those in France and Germany wbo favour a more integrated Europe. In a paper circulated among its EU partners and published at the beginning of the month, the UK seeks to keep defence matters well away from the European Union – even further away, in fact, than some earlier UK ideas had envisaged.

UK officials believe, however, that their relatively modest, practical suggestions for npgrading European defence co-operation may be better received by military men than by politicians.

To the dismay of Frencb Euro-enthusiasts, the UK ideas stop well sbort of any aspiration to endow the continent with real self-sufficiency in defence.

Ms Nicole Gnesotto, of the French Institute for International Relations (IFRI), says the UK proposals mark a clear retreat from the commitment which all European Union members gave at Maastricht, which calls for work towards a common defence policy, and possibly a common defence effort.

In her view, the UK document sets surprisingly modest targets for European-only military missions. "The British are still transfixed by the over-riding importance of the Atlantic alliance," she believes.

Yet the Britisb memorandum's stress on tbe vital importance of Nato and transatlantic links has struck a chord in most European partners, with the partial exception of France.

Moreover, Britain and France, much the biggest players in European defence, firmly agree on one thing: defence must remain a matter for co-operation between sovereign governments, not supra-national structures.

In the paper, Britain calls for an improvement in Europe's capacity to carry out military missions without help from the US and Canada.

The document – an opening bid to next year's inter-governmental conference on the EU's future – stresses that Nato should continue to be the main forum for defending its members' territory and vital interests. But it wants the European allies to become better at shouldering other military tasks, sucb as peacekeeping and humanitarian intervention. The idea of real European independence in defence is not mentioned, even as a distant goal.

UK officials do not deny that some retreat has taken place, but they insist that the waning of enthusiasm for grandiose projects in European security goes far beyond Britain. "The atmosphere has changed a lot since Maastricht," said one.

Last year some UK officials were privately agreeing with their French counterparts on the desirability of making defence into a new "pillar" of co-operation between the governments of tha EU.

This formula would have kept tbe delicste subject of defence away from the EU institutions such as the Commission and the European Parliament, while at the same time accepting the principle that the EU was entitled to some sort of military dimension.

The latest British document explicitly rules out the idea of making defence into an EU pillar – suggesting to some continental observers that moderate pro-Europeans in the UK government have lost ground to sceptical colleagues.

"The pillar idea was very close to French thinking, hut unfortunately now it has been dropped," said Mr François Heishourg, a French foreign policy expert.

The British proposals focus on the lesser-known security club, the Western European Union. In proposals that will meet little objection, the UK wants to upgrade the WEU's capacity by boosting its tiny permaneot staff and improving its ability to oversee military operations.

More surprising was Britain's proposal for regular 18-nation summits of the WEU's full members, its three associates (Turkey, Iceland and Norway) and five observers (Denmark, Ireland, Finland, Sweden and Austria).

For Euro-enthusiasts, this new 18-nation forum looks like a British stratagem for undermining the prestige of the EU, as well as ensuring an absolutely watertight and permanent division between the EU and all things military.

Mr Klaus Kinkel, the German foreign minister, wrote recently that an aventual merger between the EU and the WEU "would be a further step" towards European integration.

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Violence erupts in Azeri power struggle

By Chrystia Freeland in Moscow

A power-struggle in the oil-rich Caspian republic of Azerbaijan yesterday erupted into clashes in which two people were killed, the Russian news agency Itar-Tass reported. The battle echoes previous violent confrontations between warring factions in the volatile Caucasus and could jeopardise foreign investment in the potentially lucrative oil reserves of the Caspian area.

Tass said that two people died and a third was injured when members of an élite interior ministry police unit stormed a local police station in Baku, the capital city.

The street fighting was an escalation of a dispute between the force and the central government over plans for its disbandment. Earlier yesterday leadera of the rebel force threatened to march on tha capital city. Mr Ramil Usubov, the minister of interior nominally in charge of the force, has ordered government troops to surround its headquarters outside of Baku.

The rebels are commanded by Mr Rovshan Dzhavadov, the deputy minister of the interior, and bave reportedly seized buildings in several Azeri cities. The same unit was behind a failed coup last October, which attempted to oust Mr Heydar Aliyev, the Azeri president and former Soviet Politburo member who has ruled the republic since 1993.

Itar-Tass said that the unit's leaders had been distributing weapons among its supporters and calling for Mr Aliyev's regime to be replaced by a coalition government.

On Tuesday night Mr Usubov appeared on television to announce the dissolution of the force, describing it as a unit "over which the government has lost all control" and which had "joined up with criminal gangs".

The force's commanders responded by saying that the dissolution order was "unlawful" and claimed that they were victims of a "provocation" by the interior ministry.

The immediate cause of the mutiny appears to be government allegations that the force has been smuggling strategic materials, notably copper, out of Azerbaijan. Azerbaijan's oil reserves have made it a favoured target of western investors, but this week's dispute could unsettle foreign businessmen, who had been reassured by the fragile truce Azerbaijan concluded last May with neighbouring Armenia.

The government has signed a $7.4bn deal with western oil companies to develop oil fields in the Caspian Sea.

The mutiny prompted Mr Aliyev to cancel a trip to Pakistan for a regional economic co-operation summit which opened there on Monday.

EUROPEAN NEWS DIGEST

Santer bows to Strasbourg

Mr Jacques Santer, president of the European Commission, yesterday bowed to demands from the European parliament for greater powers in EU decision-making.

Mr Santer pledged to treat the European parliament as an equal partner, hut he stopped short of yielding to MEPs' pressure to weaken the Commission's right to initiate legislation or to weaken its role as an honest-broker between the 15 EU member states. In a new code of conduct between the two institutions, MEPs will be more directly involved in international negotiations. The Commission undertook to withdraw any legislative proposal which the parliament has rejected, bnt only "where appropriate". However, the code makes clear that a decision to override parliamentary requests should take place only for "important reasons" and offers to explain those reasons before parliament in a declaration. Mr Santer also pledged that the Commission would take "the utmost account" of MEPs' requests to submit legislative proposals. He agreed to keep the parliament informed "on an absolutely equal footing" with the council of ministers. *Lionel Barber, Brussels*

Nato plans Bosnia evacuation

Nato will field up to 70,000 troops if called upon to evacuate 24,000 United Nations peacekeepers from Bosnia, a plan being suhmitted to Nato heads of government envisages.

The plan, tantatively called "Determined Effort", would include the first deployment since 1945 of German combat troops on territory occupied by Nazi armies in the second world war. The evacuation force would be led by the British chief of the Nato rapid reaction force, Lieutenant-General Michael Walker. UN troops would leave through Croatian ports and airports in an operation expected to take several months. French officers said outside the briefing that the Pentagon might contemplate bolding US ground troops in reserve to move in if the operation went badly wrong, but that they would commit logistics and other specialists to Bosnia from the start. France would field about 9,000 men, half of whom would be members of UN units. Britain would commit an even larger contingent to the force, the planners said. Some 2,000 German combat troops would be in Croatia. *Reuter, Paris*

Norway to resume seal killing

Norway announced yesterday that it will resume the killing of baby seals for scientific research after a five-year ban. The fisheries ministry said it would maintain a ban on commercial baby seal hunting but that up to 2,600 seal pups would be harvested in 1995 for scientific purposes. Norway banned baby seal hunting in 1989 after worldwide condemnation of the practice. The ministry said the seal pups to be killed this year would have been weaned and abandoned by their mothers and would be used in two scientific programmes. One programma will study the growth of baby harp and hooded seals while the other will examine hunting methods. The ministry said that government-appointed inspectors would be on board all Norwegian vessels which would participate in the baby seal hunt. *Karen Fossli, Oslo*

Ferry Estonia's builders blamed

The main lock on the sunken Estonia ferry's outer bow visor was not built in accordance with international safety standards, claims a report obtained by the Swedish newspaper Dagens Nyheter. The paper yesterday published portions of the report drawn up by Swedish members of the Swedish-Finnish-Estonian inquiry commission. The so-called Atlantic lock holding down the bow visor lock was built "with less strength than what the calculations showed it should have been", the commission said, putting much of the blama on the Meyer shipyard in Papenburg, Germany, where the Estonia was built in the late 1970s. The report also criticised the construction of the bow doors. According to international sea safety regulations, the access ramp door – which was designed to act as a second waterproof door if the bow visor became damaged – was placed 4.2 metres too close to the outer bow visor. More than 900 people died when the ferry sank on the night of September 27 off the Finnish coast. *AFP, Stockholm*

Brussels probes German aid

The European Commission yesterday opened investigations toto German government aid to SKET, the machine-tool enterprise in eastern Germany, following disclosure that the Treuhand privatisation agency, under which SKET has been placed, had failed to inform the Commission on the level of subsidies allocated to the plant.

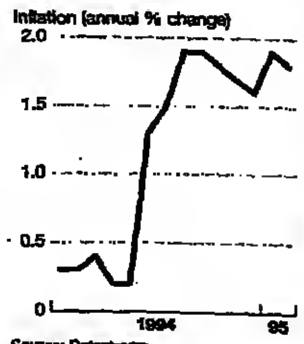
SKET had received subsidies, which cover losses, credits, guarantees and financial assistance, totalling DM957m ($683m). Of that amount, DM488m was granted to SKET before it was partly privatised last year. According to a Commission spokesman, the amount of total aid granted is the equivalent of DM600,000 per worker – SKET has 1,625 on its books – "an enormous amount of financial assistance". The Commission also started investigations because it has douhts about SKET's long-term viability. But more importantly, it believes that SKET might have received aid "not limited to the absolute minimum necessary" for restructuring costs, and that the enterprise was not sold to the highest hidder. *Judy Dempsey, Berlin*

EU's recovery slowing down

The European Union's recovery from recession has hit an extended pause, according to business and consumer indicators produced by the EU Commission. The Commission's business and consumer surveys for February show that the EU economic sentiment indicator, a composite measure made up from share price indices and industrial, construction and consumer confidence indicators, has been broadly unchanged since October. Covering 12 EU member states, the indicator slipped fractionally to 102.6 in February from 102.7 in January after rising sharply in the first three quarters of last year to an average of 102.8 in the fourth quarter. *Peter Norman, London.*

ECONOMIC WATCH

Finland winning inflation fight



Inflation in Finland was at an annual rate of 1.8 per cent in February, down slightly from the 1.9 per cent level reached in January, according to official figures released yesterday. Although the rate is far lower than in the inflation-plagued 1980s, it was just ahead of expectations and is unlikely to sway the Bank of Finland from its recent strategy of interest rate increases to pre-empt any significant resurgence of inflation. Prices rose by only 1.1 per cent in 1994, but the country's rapid export-led recovery from deep recession has begun to exert some upward pressure. Annual inflation this year is forecast to rise to 2.5 per cent, and 3.5 per cent next year. With a general election on Sunday, the best news for the ruling centre-right coalition was the 5.4 per cent drop in food prices compared with a year ago, thanks to Finland's entry to the EU in January. The government could also take some comfort from a fall in the number of job seekers in February hy 4,900 to 480,100. However, this still represents a politically damaging 19.7 per cent of the workforce. *Hugh Carnegy, Helsinki*

■ Denmark's February consumer confidence index was plus-9 points, unchanged from January.

■ The revised 1994 French budget deficit was FFr299.1bn (£36.6bn), slightly below the provisional estimate of FFr300bn.

NEWS: EUROPE

Relief as Russia passes budget

By Chrystia Freeland in Moscow

Deputy prime minister Anatoly Chubais is congratulated after the passing of the budget Reuter

The reform wing in the Russian government breathed a sigh of relief yesterday when the 1995 budget was passed by the lower house of parliament on its fourth and final reading.

The budget must still be approved by the upper house later this month, but yesterday's vote was the largest remaining legislative hurdle and should help clear the way for the release of e $6.4bn standby loan from the International Monetary Fund.

Reformers in the government said that yesterday's vote was the strongest signal so far that, despite the political turmoil and collapse in share prices earlier this year, Moscow's 1995 economic stabilisation programme will be a success.

Mr Anatoly Chubais, deputy prime minister and leader of the reform camp within the cabinet, said that at the beginning of the year most observers had predicted that the austerity budget would oot win legislative approval.

"Bnt the budget has been approved, the IMF has given its vote of confidence and inflatioo is falling," Mr Chubais said.

The fourth and final version of the budget targets expenditure at Rbs248,340bn and reveoues at Rbs175,160bn, leaving a deficit of Rbs73,180bn. But western economists point out that these figures can serve as only an approximate guide because they were initially calculated in the autumn and do not take into account the rampant inflation and depreciation of the rouble over the subsequent four months.

The struggle over Russian economic policy is now expected to shift from the back rooms of the legislature to a more open battle for government funds likely to be waged with little regard for the formal targets set by the 1995 budget.

One of the most formidable players in this looming fight for additional state subsidies is expected to be the agrarian lobby, and, even as parliament approved the 1995 budget yesterday, the farm sector intensified its campaign for increased government support.

Mr Alexander Nazarchuk, the minister for food and agriculture, warned that this year "Russia's food supply is in jeopardy". Mr Nazarchuk said that a disparity between prices for manufactured goods and agricultural commodities had pushed half of Russian farms into the red. Because of this rural fiscal crisis, Mr Nazarchuk said that the treasury must pay farmers in advance for the 1995 crop. Otherwise, he warned, Russia risked "a shortage of basic foodstuffs".

The big question now is whether Russian advocates of an austerity budget will succeed in resisting the demands of Mr Nazarchuk and his sector, which are only likely to intensify as the ground thaws and farm work restarts.

Russian officials also expressed the hope yesterday that the adoption of the budget and the IMF deal could clear the way to an agreement on Russia's defaulted foreign debt. A ministry of finance official said yesterday that if Russia stuck to its 1995 budget it could agree to a long-term restructuring of its $105bn foreign debt by the end of the year.

Russia began the process of appeasing its western creditors earlier this month when Mr Victor Chernomyrdin, the Russian prime minister, made a $100m interest payment on the interest arrears on that portion of the debt owed to commercial creditors, known collectively as the London Club, during a visit to the UK.

Russia is hoping that an agreement oo outstanding debt will enable it to tap western capital markets for fresh loans.

PM joins attack on Moscow's mayor

By Chrystia Freeland

Mr Victor Chernomyrdin, the Russian prime minister, yesterday threw his weight behind the Kremlin in its power-struggle with Moscow's city council.

Mr Chernomyrdin, whose own relations with the Kremlin security clique surrounding President Boris Yeltsin have been strained over the past few months, lashed out at the presidential circle's most prominent political nemesis, Mr Yuri Luzhkov, the mayor of Moscow.

Mr Chernomyrdin described Mr Luzhkov's complaints earlier this week that the Kremlin has instigated an "economic blockade" of the capital city as "absolutely flippant" and accused the mayor of seeking cheap publicity.

But Mr Luzhkov, who enjoys the support of some of Moscow's leading financiers and is riding high in municipal opinion polls, continues to battle on undeterred.

The public struggle between the mayor and the Kremlin is essentially a serious test of whether the federal government's writ runs within Moscow city limits. The immediate dispute is over the Moscow city prosecutor and police chief. The two men were sacked last week by federal authorities after the gangland-style murder in Moscow of Russia's best-known television journalist earlier this month. Mr Luzhkov promptly threatened to resign unless the federal government rescinded its decision to dismiss the men, who form an important part of the mayor's Moscow political base.

Since then Mr Luzhkov has not acted on his threat and the federal authorities have not revoked the sackings.

But, despite the official federal decree relieving the two men of their duties, they remain in their Moscow offices doing their jobs.

That was a point which Mr Luzhkov drove home late on Tuesday night, wheo he appeared on television flanked by his two law and order officials.

A smiling Mr Luzhkov said that "the president was very emotional in calling for the dismissals and some made use of it to make it a cornerstone of policy.

"I have not lost hope that this issue can be resolved in a different fashion," be said.

In an apparent effort to drum up popular support for his defiance of the Kremlin, Mr Luzhkov also told Muscovites this week that federal authorities were withholding Rbs8,200bn from the city, a sum meant to cover a quarter of Moscow's annual budget.

"If the federal authorities want to move the capital to some other city, let them do so," said Mr Luzhkov, who blamed the tight fiscal and monetary policies of the reformers in the cabinet for Moscow's financial troubles.

Bnt while Mr Luzhkov remained defiant yesterday in his confrontation with the Kremlin, the president moved to consolidate his political power on another front.

A presidential decree yesterday removed the Foreign Ministry from the control of the prime minister and brought it under the direct supervision of the president.

The decision to bring the Foreign Ministry directly under Mr Yeltsin's control continues a tendency which first became apparent at the height of the conflict in rebel Chechnya.

President Yeltsin has increasingly heen seeking direct influence over the key power centres in Russia at the expense of the cabinet and the legislative bodies.

Elysée hopefuls bare their financial souls to the nation

Andrew Jack and **John Ridding** report on why the candidates are going public

"I have no land or property assets, and I rent apartments in Paris and Tonlouse. I have no shares, nor bonds, and one single luxury – a Renault 19 cabriolet." The car, said Mr Lionel Jospin, the French Socialist presideotial candidate, was "tbe belated fulfilment of a youthful dream", bought with the proceeds of his book published in 1992.

Less than six weeks before the April 23 first-round vote in the race for the Elysée palace, the candidates have been going public about their private wealth.

Mr Jean-Marie Le Pen, head of the extreme right-wing National Front, indignantly flourished his income tax returns on French television on Monday evening, complaining about politically influenced tax investigations against him – but saying he had paid no tax on assets in 1993 and FFr3,944 ($792) the year before.

The actions of the candidates say as much about the country's political process as the personalities themselves.

A case in point is Mr Philippe de Villiers, the right-leaning Eurosceptic, who voluntarily took the lead by declaring his income in a magazine interview in late January. Alongside deposits and a house, he made special mention of "a small piece of land".

In fact, French law makes no demands that candidates declare their personal affairs publicly. Regional, national and European politicians once elected are required to make a statement of their assets to a national financial transparency commission, but the results are oot made public.

Only the candidate who is finally elected president is required, under a law passed in 1988, to publish details of his assets, which are circulated in the state's daily official journal. A second such statement is made at the end of the seven-year term, in an attempt to show wbether the incumbent has gained financially while in office.

> Jean-Marie Le Pen, head of the far-right National Front, indignantly flourished his tax returns on television but complained about tax probes

However, Mr Edouard Balladur, the prime minister and the front-runner for the presidency before the campaign began in earnest, found himself under intense pressure to disclose details of his income following a series of allegations in the French press last month, most notably in the satirical investigative weekly magazine, Canard Enchaîné, concerning payments relating to GSI, a computer services business of which he used to be chief executive.

He finally made a statement in the middle of last week, saying he had made a FFr2.5m capital gain in 1993 on the sale of GSI shares he had held, as well as receiving FFr100,000 a month as an adviser to the company between 1988 and 1993, when he became prime minister.

The prime minister has since made great play in the campaign of his "freedom" from business or other inflnence-wielding organisations.

By delaying his response until last week, Mr Balladur lost substantial political advantage at a time when his popularity was already waning in the polls. The figures themselves were badly received by the French public, while the delay in their publication looked defensive.

Nevertheless, his decision in turn placed pressure on his fellow Gaullist RPR candidate, Mr Jacques Chirac, who revealed his figures on Monday. Ironically, Mr Chirac's own substantial investment portfolio of FFr3.5m has received far less critical attention. His rural property in the central French region of Corrèze bas reinforced his connection to "la France profonde", outside the snobbery of Paris.

That left Mr Jean-François Hory, the contender from the left-wing Radical party, which includes Mr Bernard Tapie among its members. Without giving figures, he admitted this week to shares in three properties "all financed by loans".

The lack of guidelines or legal requirements means that the information which the presidential candidates have dribbled out is incomplete.

Yet more is now known about the candidates' wealth than that of the heads of French companies; an ironical twist given that it was the candidates' connections with business leaders that triggered much of the coocern for disclosure in the first place.

Militants jolt complacent Bahraini rulers

Deep economic and social malaise has fuelled an outbreak of violence, reports **Our Foreign Staff**

Police in Bahrain have moved quickly to contain the latest outbreak of violence by anti-government militants, arresting six people and dispersing 200 with teargas. But there are fears thet a complacent government may not see the need to address the serious economic and social problems that have led to the outburst.

Bahrain is one of the smallest of the six countries – Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – which form the Gulf Co-operation Council, and the third to have experienced anti-government demonstrations since last summer.

The disturbances in Bahrain erupted in November when participants in a charity marathon routed through poor villages near the capital, Manama, were stoned by indignant Shia villagers. Police reaction led to a violent counter-response from other villages and the demonstrations turned into anti-government riots, mostly by unemployed members of the majority Shia community. Since then there have been periodic demonstrations and riots in and around Manama.

One policeman and six civilians have been killed and 700-900 arrested. None of these incidents has posed any direct threat to the government. But the numbers could have been larger and the administration has warned it will "show no leniency to saboteurs".

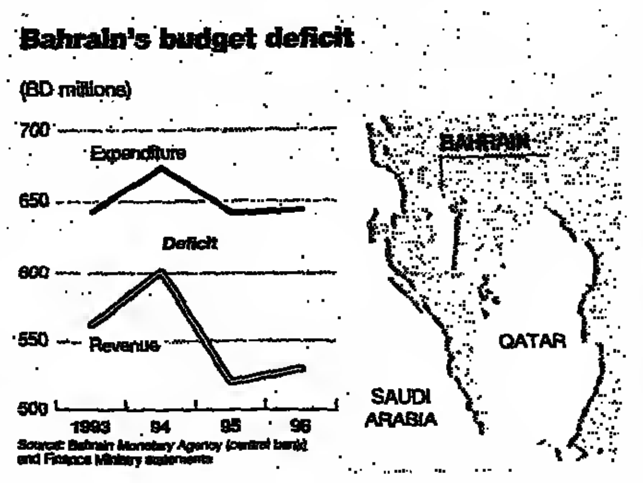
The prime minister Sheikh Bin Sulman Al-Khalifah , brother of the ruler Sheikh Isa has talked darkly of "foreign troublemakers", an implicit reference to Iran. A handful of Bahraini secondary-school leavers go to Qom, south of Tehran, each year for a one-yaar course on Bahrain's "political economy". When they return, they acquire the status of "de facto mullahs", with considerable prestige.

Like the ruling families of Kuwait and Qatar, the Al-Sabah and the Al-Thani respectively, the Al-Khalifah are Sunni Arabs who originate from Al-Unaizah, an area of what is now north-central Saudi Arabia.

The Shia community on Bahrain has always been more numerous, but is itself split between the Bahana, the original inhabitants, and more recent Shia settlers.

There are differences between so-called reformers, who would push for a return of Bahrain's national assembly which the Emir dissolved in 1975 because it had a Shia majority; loyalists to tha Al-Khalifah; and radicals among the young who are more receptive to politicised religion from Iran.

Bahrain's budget deficit



Source: Bahrain Monetary Agency (central bank) and Finance Ministry statements

Howevar, diplomats and businessmen are unanimous Tehran has played no direct part in the recent unrest and Iran's economic and political state is not one that offers any lure to Bahrainis.

The causes of the unrest lie rather in a profound malaise affecting Bahrain, and in varying degrees other GCC countries as well. They include economic and budgetary difficulties, reflecting the change from an era of fast growth and assertive self-confidence fuelled by rising oil revenues, to a state of flat oil prices, budget deficits, cuts in government spending, and fewer job opportunities for nationals. Uncertainty and touchiness prevail over the previous self-confidence.

As the economic cake gets smaller, many Bahrainis, Sunni as well as Shia, are more than ever open in their criticism of the perennial habit of certain members of the ruling family to use their government positions for disproportionate personal commercial gain.

The Al-Khalifah family has been slow to come to terms with fundamental economic changes; and slower still to explain these changes to their own people and how they intend to address them.

Bahrain is particularly vulnerable to these changes. It has no oil of its own to speak of, but has tried to build up an industrial and manufacturing basa and offahore servica industries, which depend heavily on the buoyancy of regional markets.

Between 1992-1996, actual or estimated budget deficits average $250m a year or 17 per cent of average annual revenue. Bahrain has to rely on Saudi Arabia for periodic balance of payments support and extra crude oil for its domestic refinery, the main revenue earner. Ahont 75 per cent of the island's national population of 370,000 – out of a total 550,000 – is under 25. This means, according to Bahrain's Marketing & Promotions Board (BMPB) that 44,000 jobs need to be created between now and 2000. Unemployment is put at 15 per cent of the total national population; hut twice that among the Shia who make up 65 per cent of the national population.

Some Shia, particularly the younger generation, resent the traditional second-class role allotted to them, and their elders' passive acquiescence to their status. However, the Shia do have four members in the cabinet and make up half of Bahrain's consultative council. They have equal education rights and are free to join the civil service and the professions, but are barred from the police and armed forces.

The employment prospects for nationals are aggravated by the presence of large numbers of expatriate workers; about 65 per cent of the total work force.

The government has offered 100 per cent ownership to foreign companies setting up regional manufacturing and distribution hases and has offered to pay manufacturing companies BD4,500 ($12,000) a year for each Bahraini employed.

The government's strength – as in other GCC countries – is that hereditary rulers, for all their complacency and other weaknesses, represent stability, tradition and legitimacy. They enjoy overwhelming public acceptance, and in relation to some of the neighbouring republics, have done much more for their people.

But the sheer weight of population pressures and urgent demands for employment mean that time may not be on their side if the issues are not addressed and unrest gets out of hand.

FUND FACILITY WILL PROVIDE AROUND $500M A YEAR

IMF deal boosts Algerian army-backed regime

By Roula Khalaf in Algiers

Algiers' agraement with the International Monetary Fund on a three-year extended credit facility has bolstered Algerian officials' confidence that they can implement economic reforms without an immediate resolution of the country's three-year old political crisis.

Despite international pressure to link aid for the army-backed government to a willingness to negotiate an end to the country's civil strife, the IMF tentatively agreed this month afacility which is expected to provide Algiers with about $500m a year.

A final IMF agreement should be followed by another rescheduling of Algeria's debt owed to the Paris Club of creditors and is likely to release more funds from the World Bank.

"We are implementing reforms in a pragmatic and gradual way, we are not doing it for propaganda," says Mr Mourad Benachenhou, minister of industrial restructuring. "We are not trying to manipulate public opinion."

Critics of continued western aid to Algeria maintain economic reforms must include dismantling the economy's biggest hottleneck - the huge public sector enterprises, which account for about 65 per cent of production. This involves privatisation and domestic and foreign private investment, which cannot be mobilised during a political and security crisis.

Algerian officials do not disagree. Despite a flurry of public debate in the capital over privatisation, they say it is a longer term project. Mr Ahmed Benbitour, the minister of finance, says economic reforms first centre on fueling growth by liberalising imports, restructuring industries and finally investments through privatisations. "You don't need security to implement the first two elements," he says. "Of course, starting in 1996 and 1997, when we need foreign investment then we need to solve the political and security problems."

An economic adviser to President Liamine Zeroual goes further. He says Algeria's vision is to create what he calls a "state market aconomy," which he says sounds like a contradiction in terms but involves liberalisation measures which maintain the productive sector in the hands of the government. "This is our model and we will make it happen," he says.

For now, the focus is on restructuring public enterprises which no longer benefit from injections of government funds and refinancing those that still do. Even these measures, however, will face obstacles, given that reforming some sectors requires shedding 30 to 40 per cent of the workforce, according to Mr Said Belhous, delegate on reforms in the prime minister's office.

The IMF is not pressing the issue of privatisation. Mr Abdelouawab Keramane, governor of the central bank, says the new IMF programme calls for the enactment of a law on privatisation, which has already been drafted, but does not require a privatisation programme. "What was important to the IMF was to speed up the law on privatisation," he says. Privatisation will be discussed in the framework of aid talks with the World Bank.

The new IMF accord, in effect, attempts simply to strengthen macroeconomic reforms already undertaken. It requires liberalisation of the exchange rate system through the creation of an interbank market and progressive measures towards dinar convertibility as well as further reductions in the budget deficit.

The programme's economic objectives, says Mr Benbitour, is a yearly growth rate of 5 per cent outside the hydrocarbon sector to counter 4 per cent growth in the active population. The programme also aims to reduce the current account deficit from 6 per cent of GDP now and limit inflation to 5-6 per cent by 1997. Such measures, officials say, are within their powers. "We are talking about things which can be implemented," insists Mr Benachenhou. "We sow the seeds and let them grow."

INTERNATIONAL NEWS DIGEST

Kazakh rebels face uphill task

Rebel deputies fighting President Nursultan Nazarbayev's dissolution of Kazakhstan's parliament yesterday founded an alternative "people's parliament". But the number willing to take on the powerful president appeared to be dwindling and the rebels seemed likely to be thrown out of the huilding.

Mr Nazarhayev, Kazakhstan's former Communist party chief, dissolved parliament at the weekend after the constitutional court declared last year's general election illegal.

He has pledged to rule by decree until new elections are held in Kazakhstan, s country of 17m people and the second largest former Soviet republic. A parliamentary delegation has submitted a formal objection to the court ruling hut the president has not responded to it.

Deputies have been locked out of their offices, had their phone lines cut and their official cars taken away. *Reuter, Alma-Ata*

ECO sets up four bodies

Leaders of 10 Islamic countries ended a two-day summit in Pakistan yesterday after setting up four regional institutions to promote trade and economic co-operation. The Economic Cooperation Organisation (ECO), an Islamic grouping, with a total population of 300m, groups founder-members Iran, Pakistan and Turkey with Afghanistan and six former Soviet republics – Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Member states signed pacts establishing a trade and development hank, a shipping company, an airline with a capital of $30m and a reinsurance company, also with a capital of $30m. They also signed accords to facilitate transit trade, simplify visa procedures for husinessmen and to set up a cultural institute and a science foundation. *Reuter, Islamabad*

$780m loans for Mozambique

Wealthy donor nations and international institutions pledged about $780m in loans and grants to Mozambique to help reform its economy and reduce poverty, the World Bank said yesterday. Mozambique is one of the world's most aid-dependent countries and depends on two thirds of its hudget from abroad .The funds plus anticipated relief of some $350m of Mozambique's official debt would meet tha country's external financing need for 1995, a World Bank official said. Mozambique received $1.45bn of commitments last year.

Mozamhique held its first multi-party elections last October and formed a national assembly, making steps towards a new civil society after 17 years of civil war.

Donors focused on specific reforms proposed by the Mozambique delegation, headed by Prime Minister Pascoal Mocumbi. *Reuter, Paris*

US deplores Nigeria arrests

The US yesterday deplored the arrests of retired and serving officers over an alleged plot to topple Nigeria's military government and cautioned against taking any summary measures against them.

It said at least 30 people, possibly scores more including former military ruler General Olusegun Obasanjo and his then number two General Shehu Musa Yar'Adua, now a prominent northern politician, had been arrested.

The punishment in Nigeria for plotting or attempting to topple the government is death by firing squad.

The US statement said the latest turmoil underscored the need for Gen Sani Abacha's government urgently to establish a credible transition to democracy programme. *Reuter, Lagos*

Indian budget aims to revive popularity of Congress

By Mark Nicholson in New Delhi

India's ruling Congress party, smarting at serious setbacks in recent state polls, yesterday set its sights on reviving popular favour before next year's general elections with an annual budget which laid heavy emphasis on increased welfare provisions for the mass of India's rural poor.

However, with a mix of tax and tariff cuts aimed further to stimulate strong economic growth and buoyant state revenues, Mr Manmohan Singh, finance minister, said be nevertheless aimed to cut the government's budgetary deficit to 5.5 per cent of gross domestic product in 1995-96 from 6.7 per cent in the current fiscal year.

"I would like to do better," Mr Singh said in his budget speech to parliament. "But on balance I feel that a fiscal deficit of this order can be absorbed if the existing growth momentum is maintained." Last year's revised budgetary deficit was Rs610bn (£12.15bn), or 6.7 per cent of GDP. But Mr Singh said this fell to just 0.2 points above his budgeted target of 6 per cent of GDP after stripping out loans due from the states.

Mr Singh, a chief architect of India's four-year-old economic liberalisation programme, said his reforms would "be completed as planned". However, after defeats for Congress in state elections and amid anxious calls within the party for "populist" and "pro-poor" measures, he provided a package of welfare measures aimed at the 75 per cent of India's 900m people who live in poorer rural areas.

These included a new Rural Infrastructure Development Fund backed by commercial banks, measures to improve credit flows to small rural enterprises, improved social assistance schemes for the old and infirm, and plans to more than double subsidised bousing in rural areas from the present target of 400,000 units a year.

Nevertheless, citing a "vibrant, broad-based recovery", with industrial growth of 8.7 per cent, manufacturing growth of 9.2 per cent and a 25 per cent growth in the capital goods sector, Mr Singh said his commitment to continued reforms was underlined by further tax and tariff cuts which he stressed would boost both industrial growth and government income.

Government receipts are budgeted to rise to Rs1,671.5bn in 1995-96 from Rs1,562.7bn, with expenditure rising to Rs1,721.5bn from Rs1,622.7bn, leaving a budgetary deficit of Rs50bn.

Mr Singh announced a cut in the maximum tariff to 50 per cent from 65 per cent, while cutting and unifying a further swathe of tariffs aimed at lowering the cost of capital goods, component and raw material import costs for growth industries, including textiles, electronics and software. These included a cut in duties on machine tools, ferrous and non-ferrous metals, components for the electronics industry, along with certain plastics, yarns and chemicals.

However, while Mr Singh raised personal income tax exemptions be disappointed business by leaving corporate tax rates unchanged. Reflecting this, in a special post-budget trading session on the Bombay Stock Exchange Traders the BSE-30 index fell 87.88 to 3,399.1.

Neither did Mr Singh greatly extend the deregulatory measures which marked his first four budgets, disappointing international lobbies seeking the removal of import restrictions on consumer goods and opening India's state insurance industry to private and foreign investmant.

Mr Montek Aluwahlia, finance secretary, said after the budget that, given good monsoon rains, India could post GDP growth exceeding 6 per cent in 1995-96.

Citic negotiator hears echoes of Barings

Kenneth Gooding reports on a deal over $42m debts run up in London copper trading

Xu Shiwei, president of Citic Trading: give and take

Mr Xu Shiwei, the man chosen to repair relations between China's flagship overseas trading company and London Metal Exchange brokers, emerged from the successful negotiations to say gravely: "We should not forget this piece of history. We paid a high price."

The 14 brokers claimed they were owed $42m for debts run up in the LME's copper market by China International Trust and Investment Corporation (Citic). Mr Xu and the brokers have agreed not to divulge the settlement terms but other traders suggest the brokers will receive about 80 per cent of what they claimed and that it will be some months before the final payments are handed over.

All Mr Xu will say is: "There have been some compromises, some give and take."

He says Citic, China's biggest state-owned conglomerate and one of the few with broad international experience, bas already acted on the lessous learned from the copper debacle which Mr Xu suggests has echoes of the Barings bank affair: one "rogue" trader far exceeded his authorised limits.

Internal controls have been tightened throughout Citic's sprawling organisation. Also, all trading in shares and bonds has been centralised in one Citic bead office department rather tban being scattered through the group's subsidiaries. This sbould help the group better understand the extent of its exposure.

The LME bas also learned some lessons and made changes to its regulations.

Citic's problem goes back to turmoil in the LME's "flagship" copper contract last year. Prices slumped by a quarter in five weeks, reaching their lowest level for five and a half years. Then came a supply "squeeze" when, in spite of lacklustre world economic conditions and LME copper stocks reaching a 15-year peak, the copper price rose strongly.

The LME board issued two public warnings about the squeeze and eventually took emergency action to unwind it. It was a market of large profits and losses. Among the losers was Citic Shanghai which owed about $40m to LME brokers who extended it credit.

The problem can be traced to an esoteric LME trading practice known as "historical price carries". In practice this means that, instead of being paid up at the end of a contract, brokers agree to roll it forward, but at the original price rather than the price prevailing in the market.

Citic

There are genuine reasons why some customers want to make use of this system but traders suggest it can also be used to disguise, temporarily, loss-making positions.

LME brokers provide the service only to substantial customers with deep pockets. State-owned companies were assumed to fall into this category.

Citic Shanghai, the subsidiary at the centre of the trading scandal, and Codelco, the state-owned Chilean group, lost heavily wben copper prices rose steeply last year. Both companies complained bitterly that a techniqne called "historic price carries" had been used by their traders to disguise the extent of those losses from senior management.

Mr Xu points out that the parent Citic acted swiftly once it became aware of the problems, first taking action to limit the losses by closing out its positions. This protected not only Citic Shanghai but also the counterparty brokers whicb included, among those witb most sobstantial exposure, Crédit Lyonnais Rouse, part of the state-owned French bank, and two US investment banks, Lehman Brothers and Merrill Lynch.

Citic formed a team to conduct an internal investigation but also sought independent belp from lawyers and from Price Waterhouse, the accountancy and business consulting group.

Meanwhile, four people, inclnding Mr Chen Tong Sheng, Citic Shanghai's principal trader, and Mr Gao Kong Liang, its president, were arrested by the Chinese authorities on corruption charges. Mr Xu was appointed temporary president of Citic Shanghai to head the investigation as and, more importantly, to lead the negotiations with the brokers.

Now 56, Mr Xn graduated from Beijing University in 1962 where he majored in international trade. While completing these studies he spent some time in London. For 18 years he was in China's diplomatic service, and was commercial counsellor in Brussels before be joined Citic late in 1987. He was president of the group's China International Economic Consultants subsidiary until 1990 when he joined Citic Trading as president, his present position.

He and his team have been negotiating with 11 different brokers (some of them acting on behalf of the other three counterparties] at the same time and each case was different. He says: "Of course we had to stand up for our principles, but we had to be flexible at the same time."

He is reluctant to say much more about the copper dispute, particularly as this might be misconstrued by his friends among the brokers. But, when pressed, he gives his views about some of the key issues.

Western observers saw Citic's failure to pay its copper debts as part of a wider pattern of events raising doubts about China's reliability as a trading partner. For example, Lehman Brothers claimed to be owed about $100m by two other Chinese companies, debts run up in foreign exchange trading, and China's cancellation of McDonalds' 99-year lease in a prime Beijing location caused concern.

Mr Xu sees the emphasis on these unrelated events as, a campaign to smear China and Citic. If it was intended to encourage the Chinese government to put pressure on Citic to settle, it did not work. "There was no pressure on us from the government," he insists.

Neither will he give way on the most important element in Citic's negotiating posture: that Citic Shanghai was and is a subsidiary, not a hranch, of the parent group, and therefore responsible for its own assets and management. He complains mildly about "double standards," saying "on one hand westerners say China should have a market economy without government intervention, then, when there is a commercial dispute, they attempt to link Citic with the government. Citic is a company in its own right even if it is state-owned."

The settlement with the brokers is on behalf of Citic Shanghai, which has now been restructured under new management. "Legally Citic tbe parent is not responsible. By insisting that Citic Shanghai was a hranch the hrokers eitber did not know Citic Shanghai well or they wanted to pressure the parent company and the government. We do not agree with that logic. Citic Shanghai will pay the brokers. The parent will tide it over its difficulties."

Mr Xn says that on Citic Shanghai's side problems arose because "ego and greed were at work". As the trading losses grew the Citic traders gambled more and more to cover them. Nevertheless, "some LME brokers intentionally or unintentionally encouraged Citic Shanghai to over-trade". Also, "some brokers used historic price carries to help the detainees [as he describes the former Citic Shangbai management] hide the losses".

Citic wishes to re-establish Citic Shanghai quickly. Relations with the LME were not entirely severed hecause two other Citic subsidiaries have continued to trade uninterruptedly on the exchange. After all, China needs to trade metals: it is the world's second biggest consumer of aluminium, copper and zinc and the third biggest of lead, and the LME dominates glohal trade in these materials. At the same time the LME brokers do not want to lose so important a client.

"The message I want to get across," says Mr Xu, "is that this was a very unpleasant episode. Citic is prepared to continue to do business with the brokers, many are long-standing friends. We thank them for their co-operations, patience and understanding.

"I have been through many negotiations but these were different – very complicated and tough. But finally we became very good friends with the brokers."

Growing demand leads to rise in HIV cases

East Asia risks becoming world's top heroin market

By James Harding in Vienna

The rapidly growing economies of east Asia are also the world's most significant emerging markets for narcotic drugs, according to the United Nations Drug Control Programme. The region, traditionally tbe leading opium producer for export to industrialised societies, is threatening to overtake the US and Europe in driving international demand for heroin.

The UNDCP said at the annual meeting in Vienna yesterday of the Commission on Narcotic Drugs, its executive, that it was devoting more funds in 1995 to reducing demand in the Asia-Pacific area than to supply control measures.

Mr Giorgio Giacomelli, UNDCP executive director, said growth in demand for drugs was part of economic liberalisation: "Drug abuse must be seen in the context of the opening up of the economy and society and the internationalisation of trade."

In China, where the traffic of heroin from Burma through Yunnan province in the south had become "one of the biggest routes in the world", Mr Giacomelli said "the migration of the people to the cities, with the decline of traditional values and traditional ways of controlling drug use, ancourages demand".

In Hong Kong alone, the World Customs Organisation reported 4,057kg of east Asian heroin seized between July 1993 and June 1994 compared with 1,688kg in the preceding period. Although police and customs services in Asia are apprehending more drugs, there is no evidence that the proportion of seized drugs has increased.

China has seen the fastest changes in the patterns and volume of drugs consumption. In 1989, the government reported there were 70,000 drug addicts nationwide. In 1992 the National Narcotics Control Commission in Beijing said there were about 250,000. UN officials say privately the figures can be multiplied tenfold.

Thailand is now a net importer of opium thanks to a long campaign to reduce production. However, supply control in Thailand has boosted production in Burma and resulted in greater volumes of opium and heroin travelling out through southern China to the US.

UNDCP officials working in Burma, last year the leading heroin producer in the world, fear two recent developments could have devastating effects on neighbouring countries.

First, an increasing tendency to make payments in heroin to contacts along trade routes creates local markets – the "spillage" of drug traffic. Secondly, technology has made it easier to site laboratories in the hills near the poppy plantations and away from distribution points, so inland Asians formerly exposed to the traffic in opium now have access to heroin.

"The net result has been that countries traditionally associated with the production of illicit drugs have become major consumers of those drugs, in greater numbers and in more dangerous form," according to one UNDCP field officer.

One consequence has been a marked rise in HIV cases as drug users turn from opium smoking to beroin injection. According to country reports on Aids in the region, up to 80 per cent of HIV infection in the Golden Triangle poppy area occurs among intravenous drug users.

Mr Bai Jingfu, China's delegate to the UN commission, acknowledged that although his government and others "have done their utmost to fight against this transnational drug trafficking activity, cardinal change of the drug situation has not been achieved". In Beijing, at the end of May, the first regional ministerial meeting on drug control to be held in China will attempt to expand co-operation.

Taiwan ruling party split worsens over funds row

By Laura Tyson in Taipei

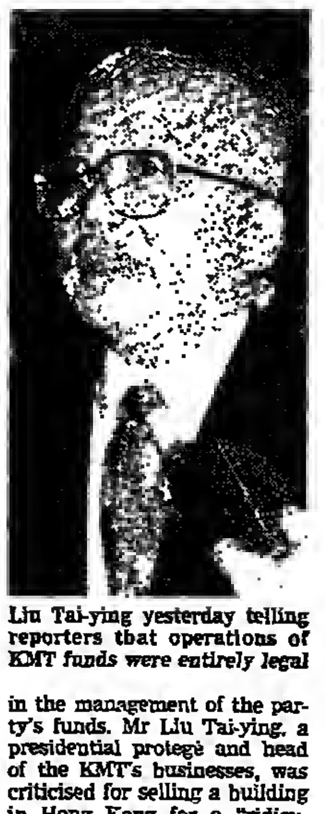
The Kuomintang (KMT), Taiwan's ruling party, is being wracked by a dispute over the party'a extensive assets, further widening a factional split over the island's future relations with China as crucial elections approach.

Under attack from opposition legislators, academics and dissenters within the ranks of his own party, President Lee Teng-bui yesterday appointed a committee to investigate the party's business activities. Mr Lee is also chairman of the KMT.

Political analysts said the squabble over spoils accumulated during nearly four decades as a one-party state intensified ideological divisions in the ruling party and could bold implications for legislative elections later this year and Taiwan's first presidential election in Marcb 1996.

"The non-mainstream [of mainland origin rather than locally born] faction is extremely suspicious of Lee Teng-hui because they believe be secretly supports Taiwanese independence," said Prof Hu Fo, a political scientist at National Taiwan University. "It is possible that this dispute may accelerate a big split in the KMT over the presidential nomination."

Yesterday's move followed more than a week of acrimony and accusations of corruption in the management of the party's funds. Mr Liu Tai-ying, a presidential protegè and head of the KMT's businesses, was criticised for selling a building in Hong Kong for a "ridiculously low" price to a company reported to be linked to Ms Deng Rong, daughter of Mr Deng Xiaoping, China's ailing leader. Mr Liu's role in the purchase of a building in Tokyo was also questioned, as were his motives in donating T$1bn ($38m) of party funds to Ruentex, a local business group, to build a hospital.



Liu Tai-ying yesterday telling reporters that operations of KMT funds were entirely legal

Mr Hau Pei-tsun, former premier and a vice-chairman of the KMT, had publicly called into question the accuracy of published tallies of the party's assets.

He further demanded tbat the party's business interests be opened to scrutiny, saying that party assets were handled so secretively that even he did not know how they were run. Mr Hau, a retired general, is the de facto leader of the KMT's mainlander faction, which is at loggerheads with the Taiwan-born faction beaded by the president.

The KMT's business interests, comprised of more than 100 companies and spanning a range of industries from finance to communications and high technology, were long the express preserve of the Chiang family and a coterie of party cadres.

Assets of the party were virtually indistinguishable from those of tbe state. But after the death in 1988 of Mr Chiang Ching-kuo, former president and son of General Chiang Kai-shek, and the end of martial law, the political opposition began to call for a proper accounting of the party's assets. The KMT officially registered as a business entity and disclosed its assets for the first time last year.

ASIA-PACIFIC NEWS DIGEST

Cambodia given $1.35bn pledges

Cambodia said yesterday that it had received pledges from foreign donors of $1.35bn over the next two years, despite controversy over humans rights and corruption. Individual countries at the third international conference on the reconstruction of Cambodia, which met in Paris, put forward pledges for about $700m for 1995 and a similar figure for 1996.

However, the meeting concluded for the first time without an official statement on a total package, and with individual pledges apparently down on the $773m offered last year. Mr Keat Cbon, Cambodian economy minister, said there had been no "special conditions" attached and said the country was taking its own initiatives to tackle corruption. The French economics ministry pledged FFr250m (£31m), up on its 1994 pledge 1994 when it was the largest donor after Japan. *Andrew Jack, Paris*

Homeless storm Tokyo city hall

A group of Tokyo's bomeless and campaigners stormed the Tokyo metropolitan government's beadquarters yesterday, protesting against the lack of welfare support. About 100 people, objecting to this week's closures of winter welfare shelters and the lack of employment, forced their way into the welfare division on the 31st floor of the expensive 1980s skyscraper, smashing a glass door and occupying offices after city officials refused their requests for a meeting. The Tokyo government called in 80 riot policemen, and four protesters were arrested. They left the building after officials agreed to meet them later. *Emiko Terazono, Tokyo*

Corporate profits increase

Japanese corporate profits improved further in the last three months of 1994, according to a report publisbed yesterday by the country's finance ministry. Rising sales and companies' restructuring efforts lifted pre-tax profits by 37.8 per cent from the same period a year earlier, the second successive quarterly increase after four years of declining earnings. The ministry'a quarterly survey of more than 23,000 companies showed an increase in sales of 5.8 per cent from a year before. Manufacturers' turnover rose by 5.2 per cent while other companies reported an increase of 6.8 per cent. Investment continued to decline in the last quarter of last year. Corporate capital spending fell by 4.7 per cent from a year before, the 12th successive quarterly drop, although the pace of decline slowed somewhat from falls of 9.5 per cent and 16.8 per cent in the previous quarters. *Gerard Baker, Tokyo*

LDP visit to N Korea delayed

Japan's Liberal Democratic party yesterday delayed a visit to North Korea, originally due for today, because of a policy and protocol squabble with its two partners in the ruling coalition. This setback to an attempt to create a rapprocbement between Tokyo and Pyongyang could be resolved in the coming weeks, said hopeful LDP officials. It is an example of the extreme sensitivity of Japan's attempts at detente with North Korea, after the breakdown three years ago of attempts to resume diplomatic ties. The Social Democratic party, the second largest coalition party, which has strong historic ties with North Korea and derives mocb support from Koreans living in Japan, was offended that the initiative came from the LDP. It also wanted a coalition accord, before departure, on issuing an apology for Japan's wartime record. The smallest coalition partner, the New Harbinger party, joined the SDP's boycott. *William Dawkins, Tokyo*

Pakistan business calls strike

The Federation of Pakistan's Chambers of Commerce and Industry last night called for a one-day protest strike across the country on March 25 and decided to withdraw all business advertisements from state radio and television from April 1 in protest at what it said was the government's failure to quell violence in Karachi, the commercial capital where almost 1,200 have been killed since the beginning of last year. The federation demanded that the governor and the chief minister of the southern province of Sindh, of which Karachi is the capital, should be sacked for their failure to tackle law and order. Both men are allies of Ms Benazir Bhutto's ruling Pakistan People'a party. *Farhan Bokhari, Karachi*

■ Mr Rais Bin Saniman, 60, a former director of tha Malaysian government-backed Bumiputra Malaysia Finance, was sentenced to five years in prison by a Hong Kong court for fraud in a case tied to the decade-old Carrian scandal. *Reuter, Hong Kong*

■ China's first privately owned bank bas been given approval to serve small businesses starved of capital by state-run lenders. Minsheng Bank will have registered capital of Yn3bn ($357m), said Mr Jing Shuping, chairman of the All China Federation of Industry and Commerce. *Reuter, Shanghai*

■ South Korea's gross domestic product rose 8.4 per cent in 1994, up sharply from 5.8 per cent the year before, the Bank of Korea said. In the final quarter the surge was 9.3 per cent. *AFP, Seoul*

■ North Korea's exports totalled $810m last year, down 20.6 per cent, South Korea's National Unification Board said. Imports at $1.02bn were down 37 per cent. Trade was at the lowest level in 16 years. *AFP, Seoul*

Fed says pace of US growth has moderated

By George Graham in Washington

The US Federal Reserve said yesterday the pace of economic expansion had moderated over the past two months, despite new economic data pointing to a stronger economy witb greater inflationary pressure than has appeared in recent statistics.

The Fed's "beige book" survey of economic conditions said there was little evidence that strength in labour markets or increases in commodity prices had spillad over into wages or prices of finisbed goods.

The beige book data, which will be used as background at tbe meeting of the Federal Open Market Committee in two weeks' time, blunted the impact of higher-than-expected figures for wbolesale inflation and industrial production.

The producer price index rose by 0.3 per cent in February to produce a year-on-year wbolesale inflation rate of 1.7 per cent, according to the Bureau of Labour Statistics.

Industrial production rose by 0.5 per cent in February, the Federal Reaerve reported, pushing the industrial capacity utilisation rate up to 85.7 per cent, its highest level for 15 years.

While both these statistics were slightly higher than market economists had predicted, neither appeared to reverse the consensus view that the Fed will not adjust interest rates at its open market committee.

The Commerce Department reported that manufacturers' and trade inventories grew in January for tha 10th month in succession, rising by 0.9 per cent, an increase that could herald future production cuts.

Looking more closely at the prodncer price index, economists noted that if volatile food and energy prices are excluded, prices for finished goods rose by 1.7 per cent over the past 12 months, the same rate as for the ovarall index.

Fruit and vegetable prices fell in February, but some of this is expected to be recouped as the effect of severe flooding on Californian crops feeds through to the consumer. More ominously, prices for intermediate goods, excluding food and energy, rose by 1 per cent for the second month in succession and have climbed by 7.0 per cent over the past year.

While the Fed's industrial production index climbed more than expected in February, an earlier estimate of January production was revised downward. Much of the increase in output was accounted for by a 2.6 per cent jump in utilities production, which analysts put down to a return to normal energy consumption after January's warm weather.

Although industrial capacity utilisation overall climbed to 85.7 per cent, the rate for the manufacturing sector stahilised at 85.1 per cent.

A millionaire's gift rapped

Jurek Martin probes attempts to adjust the American mindset

The controversial return by Yale University of a $20m (£12.6m) gift highlights the bot political debate in the US over multiculturalism that stretches far beyond the groves of academe.

This debate is an important ingredient in the current questioning of existing affirmative action laws on race and gender, and of an immigration policy whicb is still relatively open by international standards.

It's a spork: President Bill Clinton flourishes a combined piece of cutlery which was just the thing, he said, for a cost-cutting Congress keen on trimming aid for scbool meals Picture: Reuter

It also underpins, to a degree, conservative attacks on federal funding for tbe arts, humanities and non-commercial broadcasting.

The breaking of tbe Yale story was symptomatic of this pbenomenon. It first appeared on Tuesday, to the Wall Street Journal's editorial column.

The newspaper's opinion writers, influential in contemporary conservative thought, have long been critical of multiculturalism in all its manifestations, as bave sucb otber right-wing publications as the National Review magazine.

Its Tuesday leader said that Mr Lee Bass, from the Texas oil family which made tbe $20m donation in 1991, could now expect to be attacked on the grounds that be did not understand "academic freedom".

Mr Bass, a Yale graduate, had specifically tied his donation to the establishment of a new course in western civilisation, designed to redress what he saw as the liberal, multiculturalist, tilt in existing teaching.

"This is a familiar argument," tbe newspaper leader went on, "regularly espoused by the arts and grants advocates who thunder that the public sbould give them money with no say at all in bow – or on what – it is spent."

Similar allegations of a bias towards multiculturalism have been levelled against non-commercial radio and television, which receive $285m a year in federal subsidies.

One Reoublican party bill before the House of Representatives would cut these hy 15 per cent this year and 30 per cent next.

Senator Larry Pressler, a Republican from South Dakota under whose jurisdiction as commerce committee chairman federal funding falls in the Senate, even went so far as to send out a questionnaire to employees in public radio and television.

This required them to state, among other things, their etbnic origins, gender and any political contributions over $250 they had ever made. It also sought to find out bow many staff had previously worked for the liberal and multicultural Pacifica Radio – and how many for conservative Christian broadcasting where the voice of the "angry white male" is given full airing.

Senator Pressler said his survey was necessary to discover if "programming is balanced". But Mr William F. Buckley, founder of the National Review and no fan of multiculturalism, called tbe qnestionnaire "Orwellian persecution, pure and simple".

Earller this montb, Vice-President Al Gore chipped in from the other side of the political fence with a robust defence of non-commercial broadcasting's values.

"What sounds elitist," he said, "is a small group of ideologues in Washington, DC, telling the American people that public broadcasting is not good for them."

The multiculturalism debate, especially as it affects affirmative action, is also very much on the mind of President Bill Clinton, wbo has promised a review of all existing laws in the area.

On Monday night, he invited two-dozen civil rights leaders and academics to a freewheeling White House dinner, during which, reported one participant, he expressed his concern that it might be hard to persuade "the white working class" that affirmative action did not hurt them.

Certainly, the issue threatens to have potent force in presidential and congressional elections next year. An initiative to ban affirmative action laws is likely to be on the ballot in California, where such a proposal commands two-thirds support, according to a poll this week.

If the mid-term elections last November are any guide, the battles may not necessarily be won by those possessing the high – or the moral – ground.

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Uranium trader owes UBS $30m, documents reveal

By Kenneth Gooding, Mining Correspondent

Union Bank of Switzerland is owed $30m by Mr Oren Benton, the Denver entrepreneur and uranium trader who has filed for bankruptcy protection in tbe US, court documents reveal.

Mr Benton is citing debts of nearly $500m, assets of $100m but no cash. "We expect a sbortfall of some magnitude," said Mr Thomas Sperry of UBS in New York, who has been elected chairman of the creditors' committee.

Last month Mr Benton sought personal protection under Chapter 11 of tha US bankruptcy laws, along with protection for four of his companies – uranium trading organisation Nuexco, his management company Concord Services, Energy Fuels and Energy Fuels Exploration, both uranium mining companies.

UBS ranks fifth among the 20 largest creditors listed by Mr Benton. Companies in Brazil, China, Germany, Russia, and the UK as well as Switzerland and the US are on the list supplied to the Colorado bankruptcy court.

The biggest creditor is Tenex, a Moscow-based arm of Russia's Ministry of Atomic Energy, owed $160m. Ms Carolyn Lamm, an attorney with the Washington law firm of White & Case, representing Tenex, said the figure was "about right". The debt was for the supply by Tenex to Nuexco of uranium and other material.

China Nuclear Energy Corp, owed $76.3m, is the second biggest creditor listed by Mr Benton. Industrial Nucleares Brazil is owed $31m. Two UK utilities are among the big creditors: British Nuclear Fuels, owed $28m for uranium, and Nnclear Electric, owed $24m.

Among the other creditors listed by Mr Benton are employees of Nuexco, owed January salaries totalling $588,410, and Nuexco's principal trader, Mr Earl Hoellen, said to be owed $3m.

Hardly any of tbe debt is secured, covered mainly by personal guarantees given by Mr Benton.

Mr Benton, 60, set up Concord, a complex gronp of mainly private companies, in 1982. Most of the group revenue came from Nuexco which broke new ground by buying and selling uranium rather than acting as a hroker between other companies. It also pioneered the import to the west of uranium from Russian stockpiles.

Last year Mr Benton claimed Nuexco had a turnover of $500m and employed 1,500 worldwide. Mr Benton has laid off 42 employees at the Denver-based companies.

He is also part owner of the Colorado Rockies, a Major League baseball team.

Mr Sperry said he was elected chairman of the creditors' committee because UBS was the only substantial creditor with wide experience of insolvency work which could draw on the relevant expertise of US-based professionals.

He said tba committee's abort-term objective was "to bring some stability and order to a fluid situation so it could be managed in an orderly way. We are looking for the best financial result for the creditors."

Caracas arrests alleged plotters

By Joseph Mann in Caracas

Venezuelan security police, staging raids in four cities, have arrested retired military officers, university students and even a former boxing champion on suspicion of plotting subversive activities against the government of President Rafael Caldera.

Mr Ramón Escovar Salom, interior minister, and Gen Rafael Rivas Ostos, director of the state security police, confirmed that raids and arrests bad taken place in Caracas, Maracaibo, Valencia and Cumaná, but did not reveal the number arrested or specific charges.

The retired military officers taken into custody were part of the MBR-200 movement which carried out an unsuccessful military uprising in an attempt to oust former Presideot Carlos Andrés Pérez in February 1992. Security police are reported to bave arrested Mr Antonio Esparragoza, a former featherweight boxing champion.

Gen Rivas said tbose detained were suspected of "destabilisation" and wished to provoke anotber "February 27", the day in 1989 when civilian riots and looting broke out in Venezuela following a sharp rise in fuel prices.

According to the interior minister those apprehended were part of a plan "to manipulate certain sectors of the population and provoke disturbances".

An unconfirmed press report said tbere were np to 40 arrests. This represents the largest round-up for alleged subversion since the government ordered raids last year after suspending some civil rights in June.

Retired Lt-Col Hugo Chávez, one of the two leaders of the February 1992 conp attempt and bead of the MBR-200 movement, openly challenged Mr Caldera after the raids were made public.

Lt-Col Chávez, who was not arrested, said the president sbould incarcerate him "to see who lasts longer: I as a prisoner or you in the presidential palace".

The retired army officer and other military men who participated in the two 1992 coup attempts were pardoned by Mr Caldera after he took office early last year.

General Luis García Meza, the Bnlivian fnrmer dictator, arrived in the capital La Paz early yesterday, after being extradited from Brazil to serve a 30-year prison sentence for corruption and human rights abuses during his 1980-81 rule, AFP reports from La Paz.

Looking thin and annoyed, Gen García Meza (right, in an EPA picture) left his aircraft escorted by three masked security guards and was taken to a maximum security prisnn, where he was put into a single cell.

Gen García Meza fled Bolivia after a military coup overthrew him in August 1981.

He was tried and sentenced in ahsentia hy Bolivia's Supreme Court in 1993, and was arrested in Brazil a year ago.

He said before leaving Brazil that he would live to "see the bodies of my enemies go by" from his jail cell. "I'm being used as a scapegoat to whitewash and conceal all that is being done [in Bolivia] under democracy."

Peru reassures bankers

By Richard Waters and Lisa Bransten in New York

President Alberto Fujimori of Peru this week became the latest Latin American leader to visit New York, the bastion of US capital, bearing the message: his country is not like Mexico.

In meetings with financiers and the media, Mr Fujimnri stressed the nnderlying strengths of the Peruvian economy and its differences from Mexico, whose currency devaluation in December undermined Latin American financial markets. Instead, he intimated that Peru was suffering from too much foreign capital.

"We have too many dollars coming in. The sol is overvalued," he said.

Mr Fujimori said he "wanted to say to American investors that Peru has special conditions that are different from all other Latin American countries. That makes it a stable economy, and [not subject to] the kind of disturbance that Mexico and other countries have suffered."

In particular, he pointed to the country's foreign exchange reserves which, at more than $5bn, comfortably exceed its trade deficit. He added that "there was not [the same] kind of hot money going out of the country".

However, Peruvian share prices are nearly 30 per cent below December's levels, a fall which is in part behind the government's decision to suspend planned privatisations. "There was a period of uncertainty fnr investors and the stock market... [bnt] there was not mnch damage," Mr Fujimori said. The stock market was too small to have any significant impact on the domestic economy, be added.

However, the president conceded that the fall in the Mexican and Brazilian currencies wonld eventually have an effect on Peru, as its exports became less competitive.

Mr Fujimori, who was speaking less than a month before presidential elections, appeared confident he would win comfortably, and said the conntry's privatisation programme would begin again in mid-April.

He also dismissed estimates that the recent border conflict with Ecuador had cost Peru as mnch as $300m; he pnt the cost nearer $45m. The conflict may have strengthened his popularity with voters, but it has not been well received hy foreign investors.

Meanwhile, he appeared in no rush to force through a Brady-style deht rednctinn deal with the country's foreign bankers. Asked when Peru wonld wonld sit down with creditors to negotiate a deal, he said: "It depends on the conditions we can get... We don't feel any urgency."

Argentine tax opposed

By David Pilling in Buenos Aires

A bill to raise value-added tax by three points to 21 per cent, part of many current measures designed to rekindle confidence in Argentine solvency, faces opposition in the country's federal Congress.

The bill, which was due to go to Congress yesterday, is expected to generate tbe equivalent of $2.25bn in additional revenue.

Approval sbould release a further $2bn in loans from the international Monetary Fund, which has insistad on tax increases in return for financial assistance.

The IMF loan is part of a $7bn rescue package comprising funds from the World Bank, Inter-American Development Bank and a $2bn bond issue.

However, the tax rise is likely to be cballenged by opposition Congress members and could face dissent within the governing Peronist party.

Some Peronists are likely to oppose the intention to keep the additional revenue from provincial governments, as is customary with federal taxes.

Instead, all extra tax receipts are to be dedicated to build up a fiscal surplus, estimated to reach $4.4bn.

Mr Christopher Ecclestone, of broker Interacciones, expected that the hill, being an emergency measure, would be passed.

However, be believed tbat raising taxes would drive up tax evaslon and might fail to realise the promised extra revenue.

He was also concerned at the possible inflationary impact of higher taxes.

Mr Domingo Cavallo, economy minister, said a fiscal surplus was vital to build up confidence.

"You can't create credit by magic... You have to earn it by inspiring confidence," the minister said.

Argentines have been withdrawing money from the financial system in recent weeks. Mr Cavallo said they must be dissuaded from believing that "mattresaes and safe-deposit boxes are more secure than banks".

On Tuesday, Multicrédito bank in Mendoza province failed to open its doors, becoming the third Argentine financial institution – and the first retail bank – to fail since the Mexico devaluation in December, which set off a regional financial crisis.

But Argentine inter-bank interest rates are rapidly moving down towards pre-crisis levels, after being well above 50 per cent for several days.

"We believe we've started to turn tbe corner," Mr Cavallo said. "In a few months, confidence in Argentina should be even stronger than It bas been in the past four years."

European investors missing out on Asian opportunities

By Guy de Jonquières, Business Editor

European companies have fallen behind in the race to invest in the most dynamic economies in Asia and face growing competition for opportunities there from companies based in the region, according to a study by the UN Conference on Trade and Development.

The study estimated that Asia received $52bn of foreign direct investment (FDI) last year, more than a quarter of the world total and about $5bn more than in 1993. It said inflows were set to remain at high levels, though foreign investors might be losing some of their enthusiasm for China.

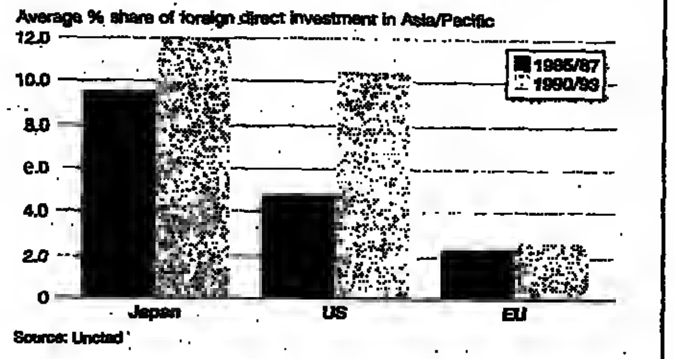
The study said EU companies had paid less attention to Asia than thosa from other indnstrialised nations. Between 1990 and 1993, EU-based companies invested an average of $2.2bn there annually, compared with the $4.2bn invested by US companies and $3.3bn by Japanese companies.

EU companies' total stock of investments in Asia and the Pacific, which reached $26.1bn at the end of 1993, was also well below those of US and Japanese companies, with stocks of FDI in the region valued at $39.4bn and $30.8bn respectively. Furthermore, German companies' stock of FDI in the region was only half their investments in Spain. French companies' Aslan assets equalled those they own in Ireland, while the value of British companies' investments was similar to those in Australia.

There had been however, recent evidence that the pattern was changing. In particular, approved investments by EU companies in Indonesia, Malaysia, the Philippines and Thailand rose 87 per cent in 1992, much faster than for US and Japanese companies.

However, EU companies would have to contend with competition from fast-rising direct investments by Asian companies. These were growing much more quickly than investments by companies from industrialised countries and accounted for 45 per cent of inward FDI in Asia in 1993.

FDI in Asia/Pacific: the EU lags behind



Source: Unctad

The study noted that approvals for inward investment in China – the world's largest recipient of FDI in 1993 – had recently fallen sharply, while those in India had increased to $4bn in 1993-94 from $165m in 1990-91.

It said that though much inward investment in the region, notably in China, had been encouraged by the relocation of export-oriented manufacturing activities to low-cost sites, a growing proportion of the total was unlikely to shift between countries.

The rapid growth of many Asian economies was attracting investments specifically geared to exploiting their domestic markets, while an increasing amount of FDI was being channelled into services, many of which were not internationally tradeable.

Foreign Direct Investment in Asia and the Pacific (TD/B/ITNC/3); Division on Transnational Corporations and Investment, Unctad, Palais des Nations, Geneva.

WORLD TRADE NEWS DIGEST

ING wins mobile telephone licence

The Dutch government yesterday awarded the country's second mobile communications operating licence to a consortium led by ING Group, the financial services company which took over Barings Bank of the UK this month. The winning consortium, which also includes Vodafone, the British mobile communications operator, faced competition from three international consortiums grouped around the Netherlands' two other big banks, ABN Amro and Rabobank, and Deutsche Telekom of Germany.

After installing its mobile infrastructure, the ING-led consortium will compete directly with a mobile communications network launched last summer by Koninklijke PTT Nederland (KPN), the country's telecommunications and postal company partially privatised in June. The consortium's total investment is expected to run to more than Fl 2bn ($1.27bn) over the next 12 years. Like the existing KPN network, the ING system will provide pan-European services according to the GSM (global system of mobile communications) standard.

The second licence is designed to inject competition and efficiency into mobile communications in the Netherlands. It is a forerunner to increased competition in data and voice telephony in the Netherlands later in the 1990s. *Ronald van de Krol, Amsterdam*

US backs Morocco project

The US yesterday extended political risk insurance cover for Morocco's first private power project. The protocol was signed in the presence of King Hassan who is visiting Washington to promote his country's economic reforms in a meeting organised by the Overseas Private Investment Corporation.

Opic provides political risk insurance and other inducements for US companies seeking foreign contracts. The power plant represents a steep increase in Opic exposure in Morocco, where the agency is providing $15m of insurance for two banking ventures and a crude oil storage tank. CMS Energy, a Michigan utility holding company, and its Swiss joint venture partner, ABB Energy Ventures, won the bid last month for the privatisation and expansion of the Jorf Lasfar power plant. The project, 85 miles south-west of Casablanca, involves the acquisition of a 660MW power station now nearing completion and the construction of two additional 330MW units. *Nancy Dunne, Washington*

Japan resumes cover for Egypt

Japan yesterday announced the resumption of export credit insurance for Egypt. Mr Ryutaro Hashimoto, minister for international trade and industry, announced the decision at the end of a state visit by Mr Hosni Mubarak, the Egyptian president. The concession came as a result of Egypt's recent economic recovery and the smooth repayment of its existing debts, Japanese officials said.

Egypt was one of 14 countries from which Japan withdrew export credit insurance. Half its official debts were forgiven by the Paris Clnh of western creditor nations in 1991, in an initiative proposed by the then US administration of Mr George Bush. Egypt is the first to bave cover restored. New insurance would be restricted to high grade private sector ventures in Egypt, but would not be extended to public sector projects, Japanese officials said. *William Dawkins, Tokyo*

Canada, Australia in trade talks

Canada and Australia are to begin talks on a formal bilateral trade and investment agreement. The announcement follows a visit by Mr Roy MacLaren, Canada's trade minister, to Australia, and Tuesday's agreement under which Canada will giva Australian beef producers a guaranteed share of the country'a tariff-free import quota. *Nikki Tait, Sydney*

■ Brown & Root Saudi, part of the US engineering and construction group, has won a contract from Gulf Salt Company to project manage the design and construction of Saudi Arabia's first salt evaporation and production plant. The $15m plant is to be built at Dammam Industrial City No 2 in eastern Saudi Arabia. *Andrew Baxter, London.*

■ Westinghouse of the US will be allowed to bid for the conversion of a mothballed nuclear plant in the Philippines into a 1,500MW combined cycle facility. The government earlier banned Westinghouse from participating in any local project because of a case filed in 1988 against the company which constructed the 620MW Bataan Nuclear Power Plant in the 1980s. *AFP, Manila*

■ Norsk Hydro, Norway's largest quoted company, yesterday awarded a NKr2.8bn ($444m) contract to Aker, the Norwegian oil and gas technology and cement and building materials group, covering engineering, procurement and construction of a floating production platform to be deployed in the Njord field in the Norwegian Sea. *Karen Fossli, Oslo*

Japan to merge aid body and Eximbank

By William Dawkins in Tokyo

Japan's state-owned export-import bank will merge with its main provider of overseas aid, tbe government announced yesterday.

The merger of the Export-Import Bank of Japan and the Overseas Economic Co-operation Fund in 1999 is the outcome of the latest in a series of attacks by the ruling coalition on the finance ministry's powers. The merger is designed to show the coalition's will to restrain Japan's politically unpopular financial mandarins, but has alarmed the multilateral financial bodies with which the Eximbank works. The World Bank and International Monetary Fund have co-financed nearly $19bn of the bank's accumulated $33bn untied loans to developing countries.

Eximbank officials yesterday ware relieved at the plan, a climbdown from an earlier proposal by the ruling Liberal Democratic party to dismember the bank. Officials on both sides of the merger yesterday hoped it would make little practical difference to Japan'a policies as the world's largest provider of development funds. The government plans to use the four-year grace period to consult international co-lenders.

The Eximbank and OECF occupy the same building in Tokyo's Otemachi business district but have little else in common. Accordingly the government has promised the new merged institution will keep a clear division between trade finance and aid, often criticised by Japan'a trade competitors for being unfairly close.

The Eximhank, with 550 staff, lent about $15bn last year to a mixture of private companies and state institutions, but, unlike the OECF, provides almost no financial aid. After the merger the bank will be asked to limit lending for plant exports to sales to developing countries. Eximbank loans for exports to Europe accounted for Y54bn ($591mn) last year, roughly a quarter of its export lending. It is funded by a mixture of bonds and borrowing from the government'a pool of post office savings and pansions, known as the Fiscal Investment and Loan Programme.

The OECF, with 330 staff, disburses almost all Japan's bilateral soft government loans to developing countries. Bilateral lending amounted to $3.9bn last year out of Japan's total aid budget of $11.74bn. Grants, plus multilateral loans, account for the rest. The OECF derives one third of its new funds from state tax revenue and, like the Eximbank, borrows tha remainder from the Filp.

The finance ministry currently sends retired officials to well-paid jobs at the head of both institutions. As a result of the merger, the ministry will lose one *amakudari*, or descent from beaven, job, a small arosion of its influence.

The merger has its origins in a backroom political deal, namely a promise last year by prime minister Tomiicbi Murayama to "shed blood" in the bureaucracy, in return for public support for an unpopular increase in sales tax, urged by the finance ministry.

Fiat to build $600m car factory in Argentina

By Kevin Done in London and David Pilling in Buenos Aires

Fiat is to invest around $600m to build its first car assembly plant in Argentina, probably in the northern industrial city of Córdoba.

The project is part of the Italian carmaker's strategy for expanding its international car operations, and the Argentine plant will serve several markets in South America.

Exports will be targeted chiefly at the other countries in the Mercosur customs union, which includes Brazil, Paraguay and Uruguay as well as Argentina.

Fiat said it would be able to produce 150,000 cars a year in the first stage of the project.

It is planning to build in Argentina its so-called world car, code-named 178, which is under development for potential production in several emerging markets inclnding Brazil, Mexico, Turkey, South Africa, Morocco and India. Fiat said it would produce several derivatives in the 178 range including batchback and saloon cars, an estate car, pick-up and light van.

Prodoction will begin in Brazil early next year, but Fiat said it boped to begin output in Argentina at the end of 1996. Fiat gained ground strongly in South America last year, winning market share in particular from Volkswagen and Ford.

The decision to build the plant in Argentina follows the breakdown of talks with Sevel, the local carmaker, which makes Fiat and Peugeot cars in Argentina under licence. Sevel makes Fiat's Duna, Spazio, Vivace, Fiorino and Uno models, but its licence runs out in three years.

The Mercosur customs union, which came into being in January, is expected to be one of the fastest-growing car markets over the next few years. In particular, the large Brazilian market is booming due to improved access to credit. Argentina, with 33m substantially richer people, has also seen its car market grow strongly in recent years.

Strong interest in Irish oil

By John Murray Brown in Dublin

Ireland yesterday awarded eight oil exploration licences in the first large auction of offshore blocks for more than a decade. Chevron, Total, Marathon, Statoil, Conoco and Occidental were among 15 companies awarded a total of 32 blocks by Mr Emmet Stagg, the minister for energy.

The increased foreign interest in Ireland's offshore business follows a change in the tax regime in 1992, with corporation tax for exploration companies now set at 25 per cent. Petro Consultants of Geneva estimates that Ireland is now the moat attractive fiscal regime in the world – with the UK the second most attractive.

International interest has also been driven by developments in nearby West Sbetland, where BP has made commercial finds. Companies have also been attracted by advances in technology which allow companies to conduct deep water drilling from floating rigs, which has reduced exploration costs.

The blocks are all located in the Porcupine Basin, a large sedimentary trough 100 miles west of Ireland, in deptbs between 300m and 2,000m.

There is no obligation on the companies to drill in the first phase to the end of 1997. Companies will be obliged to pay a licence fee of I£20 per square kilometre or around I£5,000 ($7,900) for a block of 250 sq km. There will also be an obligation to conduct a seismic survey at a cost of around I£8m.

Mr Stagg estimated the cost of a single well at around I£20m. He said he expected at least two of the consortiums to be drilling wells in the first phase.

Aran Energy, the Irish oil concern, is currently the only company active in the Porcupine Basin. It is developing the Connemara field where it believes there are recoverable reserves of between 20m and 60m barrels of oil. Aran has a stake in five of the new blocks.

UK companies seek Mideast role

Peace dividend attracts British who have largely stayed away, writes **Julian Ozanne**

British industry, which has traditionally ahied away from doing business with Israel because of the Arab economic boycott, has begun to seek a stake in the Middle East peace dividend.

The focus of its efforts is on Israel, a $75bn economy with an average growth rate of 5 per cent over the past four years. But British businessmen have expressed their desire to help underwrite the peace process by forging links with the Palestinian economy.

There is also interest in forming joint ventures with Israeli and Arab partners to bid for regional transport, communications, water and energy projects.

British businessmen say the message of their visit is to underscore their view that the Arab boycott, which bas been eroded but not yet scrapped, is no longer a factor influencing investment and trade decisions.

Representatives of British Aerospace and the General Electric Company are among the senior executives visiting the area for the first time with Mr John Major, the British prime minister. BAe and GEC have avoided Israel because they feared being blacklisted and losing lucrative deals with Saudi Arabia and other Arab states.

British businessmen believe it is time to position themselves for what could be a regional economic transformation in the wake of a comprehensive Arab-Israel peace settlement, with Israel as the engine of growth.

"A lot of businessmen see Israel as the fulcrum of economic development in the region," said Lord Sterling, chairman of P&O, the shipping company, "and we are taking the view of the next 20-30 years.... It is clear to us we can't ignore the region."

Lord Young, chairman of Cable and Wireless, the telecommunications group, compared Israel's role in the region to that of Hong Kong in Asia and said British companies viewed Israel as an interface between Britain and the region.

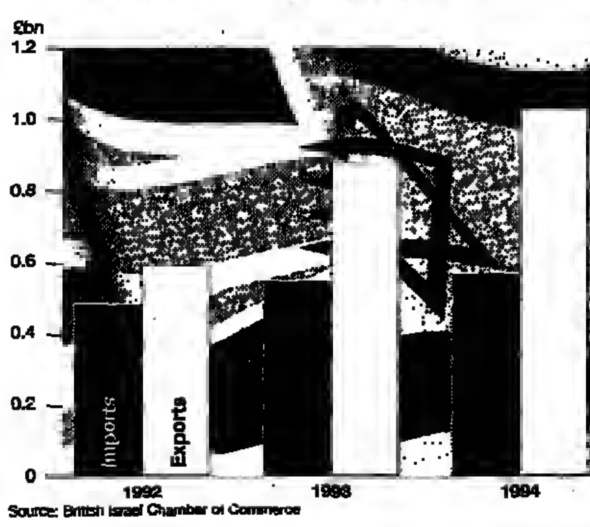
British companies, Lord Young said, were ready to take minority stakes and form joint ventures with Israeli companies to bid for projects in the region. "Minority stakes and joint ventures must become a way of life for us," he said.

Lord Young said that Cable and Wireless wanted to buy a strategic stake in Bezeq, the Israeli state-owned telecommunications company currently being privatised. British Telecommunications is planing to bid with local partners for the tender later this year to become Israel's second operator of international calls in competition with Bezeq.

Mr Richard Giordano, chairman of Britisb Gas, held talks with Israeli officials on participating in a natural gas pipeline from Egypt and said his company was interested in investing in downstream activities in Israel and Jordan.

Mr Michael Lester, GEC vice-chairman, said his company was interested in both Israeli and regional infrastructure projects. Marks and Spencer, which already buys Israeli food and clothing worth £200m a year, said it wanted to expand its local sourcing and restructure its local retailing operation.

UK trade with Israel: a growing surplus



Source: British Israel Chamber of Commerce

Britisb and Israeli businessmen, backed by their governments, have established a bilateral business council. Among the tasks outlined are fostering joint ventures; pushing for a speedy conclusion to long-delayed negotiations over a bilateral investment promotion and protection agreement; developing better co-operation in education and vocational training; and pushing tbe European Union to meet Israel's demands in negotiations over a new trade association agreement.

Mr Donald Brydon, deputy chief executive of Barclays de Zoete Wedd, the British-based global investment bank, said the key to boosting British and European investment in Israel would be a more positive approach by Israel at raising capital on the European markets, ending its traditional preference for New York. Mr Brydon, whose company last year established a $153m Israel fund to invest in Israeli equity, accepted the City of London was partly to blame because it had ignored Israel, but be said European investor interest in Israel was high and listing in London would be cheaper and involve less controls and accounting obiigations than New York.

Fostering Britisb trade and investment in the underdeveloped Palestinian economy will be more difficult. Mr Martin Laing, chairman of John Laing, the UK construction company, yesterday outlined some of the problems including the need for political stability; a transparent legal and bureaucratic framework; a clear regulatory environment and title to property; mechanisms to guarantee investments and repatriation of capital; maintenance of a competitive labour market; and the development of an attractive package of investment and taxation incentives.

To help promote British-Palestinian trade Mr Major announced that British companies exporting to the Palestinian economy would be eligible for insurance cover, largely sbort and medium term, from the Export Credits Guarantee Department, Britain's official export credit agency.

Mr Richard Needham, British trade minister, also pushed British officials to do all they could to forge better business links. "We think something has to be done here quickly to change economic reality for Palestinians on the ground and we are looking for projects we can get involved with now."

Britisb businessmen appeared to share Mr Needham's sense of urgency. "Britisb companies have a better understanding of tha Arab world than anybody else and there is a lot we could do," said Lord Sterling. "What we need to know is what we can do today and we need to see there is a real Palestinian commitment to doing it for themselves."

British Aerospace to shed 1,350 more jobs

By Bernard Gray, Defence Correspondent

British Aerospace announced yesterday that 1,350 jobs are to be shed over two years at its Dynamics subsidiary, which manufactures missiles. The redundancies will leave BAe Dynamics with only 2,500 staff compared with 16,500 five years ago.

The cuts will be at Stevenage, to the north of London, where 660 jobs will go, leaving a workforce of 1,690. At Lostock in north-west England only 370 workers will be laft after the planned cut of 570, and 120 out of 540 staff will leave a unit at Bristol in the south-west. BAe said a voluntary redundancy scheme was in operation to reduce the number of compulsory job cuts. However, with the workforce having fallen so far already, many of the redundancies are likely to be compulsory. Many of those losing their jobs are highly skilled design engineers and technicians.

The company blamed the cuts on a fall in orders from the Ministry of Defence since the end of the Cold War. Deliveries of the latest generation Rapier 2000 air defence system will, for example, be complete by the end of this year. Rapier'a predecessor was a money spinner for BAe during the 1980s, but unless export orders are found the line will have to be cut back. BAe is negotiating a merger of its missile business with Matra of France, and a deal may be concluded within weeks. However, BAe insisted that tbe redundancies were not a result of the merger and would be inevitable even if the merger did not go ahead.

Both BAe and Matra have a turnover of about £400m ($632m) to £500m a year in missiles, and Matra's missile operation employs about 3,200 people at three main sites in France. The two companies have complementary product lines and bope that the joint venture will give them good access to the British and French governments for their full range of products. They will also seek export markets.

BAe is now developing the new short range Asraam air-to-air missile which will be fitted to the Eurofighter 2000 aircraft being developed by the UK, Germany, Italy and Spain. It is also producing the Seawolf ship defence missile, and has hopes of winning work on the long-range Trigat anti-tank missile if the UK selects the European Tiger attack helicopter this summer.

The Ministry of Defence has said it needs an aircraft-launched stand-off missile similar to that usedby the US in tbe Gulf war, a longer range missile for the Eurofighter.and an aircraft-launched anti-tank missile. Each programme would be worth several hundred million pounds but firm production orders are some way off.

BAe has already closed five sites as part of its rationalisation of the Dynamics business. Stevenage now acts as a headquarters and angineering research and development centre, with Lostock concentrating on manufacture and Bristol working on computer software.

Obstacles continue to dog Conservative government's privatisation programme

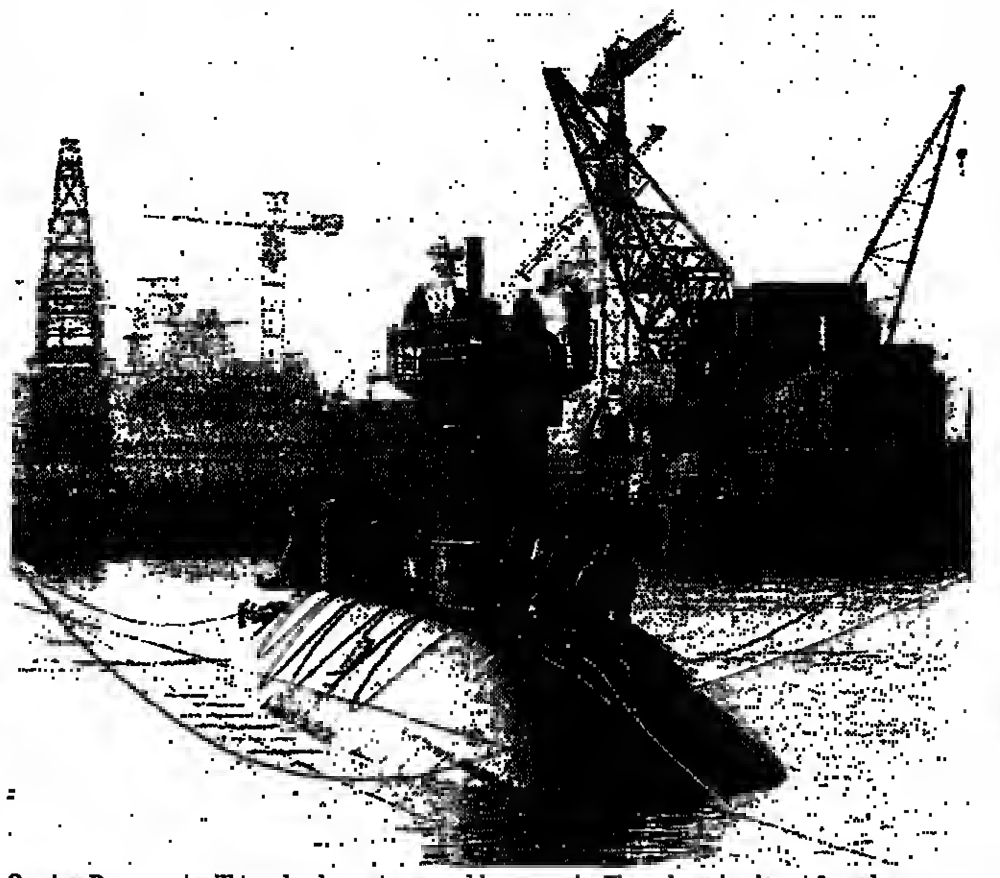
For sale: two dockyards with one careful owner

Order books are guarantead and equipment is in fair condition. The purchaser must be prepared to handle mildly hazardous materials including nuclear waste. Part-exchange ideas considered.

This appetising prospectus has been circulating around the British engineering industry for nine months, but has so far met with limited interest. Now it seems that privatisation of the Royal dockyards is unlikely to raise much money for the government. The sale may even be scrapped.

A mixture of hubris and poor assumptions seems to have led the Ministry of Defence into a swamp. After seven years of being managed by contractors, the Royal dockyards were finally put up for full-scale privatisation by the MoD last year. The yards, which used to service sections of one the world'a mightiest navies, are Devonport in south-west England and Rosyth in Scotland.

To the ministry's embarrassment, only the companies now operating the yards, DML at Devonport and Babcock International at Rosyth, bothered to bid. Companies deeply involved in defence work such as GEC, British Aerospace and Rolls-Royce looked at the yards and walked away.



Owning Devonport will involve low returns and beavy costs. The submarine is not for sale

Negotiations with DML and Babcock have continued, however, and formal teoders are due in by the eod of the month. But the risks associated with buying the yards seem so great that nelther company seems prepared to pay mucb for the businesses.

Part of the difficulty comes because both Rosyth and Devonport have huge poteotial environmental problems. Nnclear submarines have been refitted at both yards and several are now laid up there waiting for a government decision on how to dispose of the radioactive hulks.

There is also contamination from fuel oil and other industrial spillages seeping into the land around the two docks. The cost of cleaning will almost certainly be larger than the value of either operation.

Nor is it just past environmental spills which are a hazard to the sale; Devonport will continue to refit nuclear submarines in dry dock. One risk under consideration is that if the dry dock gates broke, the incoming sea would invert the submarine and cause the reactor control rods to fall out of the core.

Work is under way to improve the failsafe design of submarine control rods and check the strength of the 70-year-old dry dock gates. Alarming as they are, the environmental problems with both sites can probably be overcome. In essence, the government will have to retain most of tha environmental liabilities if it is to have any chance of selling the two businesses – which make only about £10m ($15.8m) a year each.

A knottier problem is to decide who has responsibility for the yards' workforces. Both still have too many people for the reduced workload which has followed the end of the cold war. If the companies are required to take on responsibility for all the staff, it will reduce the proceeds to the ministry from the sale.

The final obstacle to the sale may be the risk that the Royal Navy workload will shrink further. Many in tha defence industry believe there is room for only one yard in the long term. As Devonport won the competition to refit nuclear submarines – the backbone of navy work – it is seen as the natural survivor.

Yet to prevent Devonport eliminating Rosyth, the ministry allocated tbe politically important Scottish yard a large batch of surface ship refits over 10 years. The result may be thet neither yard has sufficient work to he bealthy. In that precarious position the companies will insist on a guaranteed package of work, with heavy penalty payments if the government cuts further.

Despite the problems, both companies are pressing on with negotiations on the sale. But with so much of their freedom for manoeuvre circumscribed, privatisation will offer them little freedom beyond that of their current management contracts.

Rosyth seems keen to continue, not least because privatisation would transform its allocated workload from a ministerial promise to a binding contract. Botb Devonport and Rosyth think that extra commercial freedom would belp them to diversify.

From the government's of view, however, it is less certain what would be gained. The sale will raise bittle, if any, money and the ministry will be left with heavy liabilities and a rigid allocation of work between the yards.

Bernard Gray

Transfer of nuclear stations opposed

By Haig Simonian and Robert Taylor

Nnclear Electric, the state-owned company which owns and runs nuclear power stations in England and Wales, is trying to persuade the government not to transfer ownership of its eight magnox stations to British Nuclear Fuels.

Nnclear Electric is concerned that the transfer would weaken its position in the highly competitive international nuclear business. The company is competing for contracts to develop and operate nnclear power stations in otbar countries, particularly the Far East.

The government, which is reviewing nuclear policy, sees the transfer of tbe ageing stations as a way of strengthening Nnclear Electric's chances of privatisation. It would leave the company with its newer advanced gas-cooled stations (AGRs) and its recently commissioned pressurised water (PWR) plant at Sizewell B on the east coast of England.

Although BNFL already has two magnox stations, Nuclear Electric sees itself as Britain's foremost nuclear power group and would like to run the magnox plants under licence from the government. But senior officials say ministers do not favour the idea.

Ministers are divided about whether the nuclear industry should be sold before the next general election, but all want to prepare for its privatisation later in the decade.

Magnox stations, Britain's first commercial reactors, were inaugurated in 1956. Although most Magnox stations date from the 1960s and their operating lives have been extended, three stations are being decommissloned and most of the rest are expected to be closed before the end of the century.

The government will also have to decide on the balance between Nuclear Electric and Scottish Nuclear. The government is believed to be considering the transfer of two of Nnclear Electric'a AGRs to Scottisb Nnclear, which has two of its own, to improve the smaller company's sale prospects.

Flotation of National Grid may go ahead

By Michael Smith

Regional electricity companies said yesterday they were pressing ahead with a possible flotation of the National Grid, the power transmission company for England and Wales which they have owned since electricity privatisation.

Some said a demerger of the company, which is valued at more than £3.5bn ($5.5bn), was still possible in the early summer. Yesterday's developments came after a day of intense discussions between senior executives of the 12 companies. Their meeting came in the wake of last week's announcement by Prof Stephen Littlechild, industry regulator, that be is considering changing previonsly agreed price controls in the regional companies' prices controls for 1996-2000.

Some shareholders feared that this would have caused an indefinite postponement of the flotation which the companies had been planning for June or July. Institutional investors are keen for a rapid demerger because it is likely to increase the overall value of the shares they own in the 12 companies, all of which are based in England and Wales.

Some were attracted by an idea to link the price controls and Grid issues in discussions with the regulator and agree a rapid deal encompassing both by offering a large rebate to customers. Although this is still possible eventually, it is unlikely to be achieved in weeks as some regional companies had hoped.

In a formal statement yesterday the companies said they had agreed preparations for a possible flotation should continue and further announcements would be made in due course.

One chief executive said privately that there was no reason why the Grid could not be floated in June or July as originally planned. "This is not a complicated flotation; we are not raising money, just making a distribution (of shares in the Grid) to our shareholders. Once we agree the principles we could achieve the flotation in less than a month." However, several companies say they will agree to nothing on the Grid until a settlement has been achieved with the regulator un the separate issue of price controls. That may delay a flotation until the autumn or later.

Yesterday's meeting was told that regional company representatives were close to final agreement with the Inland Revenue on the tax implications of a flotation.

It is believed the companies expect to pay less than £1bn in capital gains tax.

Ford to make version of Fiesta for Mazda in London

By John Griffiths

Ford announced yesterday that its Dagenham plant in east London is to build a version of its Fiesta small car for Mazda for sale by the Japanese company throughout Europe. The move came as Toyota prepared to announce today that it is doubling capacity of its UK plant with the addition of a second model.

Ford said yesterday that prodnctivity at Dagenham bad onproved by 38 per cent since 1990. The gap in performance between Dagenham and the rival Fiesta small car plants in Valencia, Spain, and Cologne, Germany, had "narrowed massively" and ahould be eliminated by the end of 1996, it said.

Up to 25,000 cars a year are to be made at Dagenham for Mazda, in which Ford has a 25 per cent stake. The vehicles will be badged as Mazdas and differ from the Fiesta outside and inside. The project was given a strong welcome hy union leaders representing the plant, which was criticised by Ford management four years ago for poor productivity.

Output of the new cars will begin early next year. They will be sold through Mazda's own dealer network.

The project, announced by Ford of Britain chairman Mr Ian McAllister, will give a useful boost to output at the Dagenham facility, which last year built 135,509 Fiesta cars and 57,779 Fiesta and Courier vans. Dagenham's body and assembly operations employ about 4,200 people.

"Dagenham has proved it can achieve high levels of productivity," said Mr McAllister. "The additionsl prodnction will benefit not only Dagenham but also other Ford plants and component manufacturers involved in supplying Fiesta parts." Among them will be Ford's Halewood facility in north-west England, which supplies Fiesta gearboxes.

● Mr John Towers, Rover chief executive, hinted yesterday that his recent output forecast might not represent the limit of the company'a ambitions. He said last week that Rover might produce 750,000 vehicles a year by tha end of the decada compared with 480,000 last year.

He made clear that Rover was committed to expansion into fast-growing markets such as the Asia-Pacific region and said it was a question of "when, not if" Rover returned to the north American market with cars to join the Land Rover and Range Rover four-wheel-drive models it already sells there.

Sales growth would come primarily from such markets, and Rover actually needed to reduce its current 13 per cent share of the UK market, which was not compatible with its strategy of being seen as a producer of premium cars. Rover wanted small fleet and retail business, but "does not want to be part of the pile 'em high and sell 'em cheap philosophy."

Mr Towers would not say which models might lead the return to north America, but said that a "properly executed" saloon car would be viable.

Not enough quality, Page 15

UK NEWS DIGEST

Big retailer to open EU-style works council

Marks and Spencer, the UK's largest clothes retailer, is to set up a works council covering its 45,000 employees in the European Union, most of whom work in the UK. M&S is the third UK company to create a works council as required under an EU directive. The other two – United Biscuits and Coats Viyella – have substantially more of thair employees working on the European mainland.

M&S is to include its 42,000 UK employees in the new body – although under the UK opt-out from the social chapter of the Maastricht treaty, British companies do not have to set up works councils for their UK operations. The retailer does not recognise unions in the UK for collective bargaining, although it recognises 12 unions outside the UK.

It did not discuss the issue with unions – which has provoked the anger of Fiet, a Europe-wide federation of retail unions, which represents union members working for M&S on the European. The federation said: "There has been no prior consultation and this was rushed through prior to a meeting where this issue was going to be discussed. We are asking for talks with M&S." Nominations for the council are now being sought from staff throughout Europe.
Lisa Wood, Employment Staff

Premier's dodges Clinton call

Mr John Major, tha prime minister, returned to London from the Middle East last night amid diplomatic efforts to settle his row over Northern Ireland with President Bill Clinton. But Downing Street officials could not say when a telephone call – sought by Mr Clinton since last Saturday – would be made. Although the two have communicated by letter twice over the past week, Mr Major's inability to find time to speak to Mr Clinton has been seen as a show of displeasure at the White House invitation to Mr Gerry Adams, president of Sinn Féin, the political wing of the Irish Republican Army.

With Mr Major due to visit Washington in less than three weeks, the US sought to play down talk of a rift. "Obviously there is disagreement and people feel emotional about it in some quarters, but I do object to statements that this is the end of western civilisation as we know it," said Admiral William Crowe, US ambassador to London.
John Kampfner, Westminster Correspondent

Exchange clears executive

Mr Mick Newmarch, who resigned abruptly as chief executive of the Prudential, the UK's biggest life insurer, in January, was cleared by the Stock Exchange yesterday of breaching its model code in his dealings in company shares last October – but it criticised his conduct. "The exchange has confirmed something which was self-evident at the time – that I have behaved entirely properly," he said. The exchange found, however, that the Pru had breached its rule requiring companies to ensure that their procedures for authorising share dealing would ensure proper standards were met. Speaking for the first time since his resignation, Mr Newmarch described the exchange statement as "bizarre" in criticising the Pru while accepting that the company had not allowed dealing on the basis of unpublished, price-sensitive information.

The exchange said it was unable to comment on its apparent inconsistency in clearing Mr Newmarch of breaching its model code and yet criticising him. Sir Brian Corby, Prudential's oon-executive chairman, said he was pleased the exchange had come to the same view as the company – that the dealings had not been in breach of the model code, since Mr Newmarch was not in possession of unpublished price-sensitive information.
Alison Smith Lex, Page 16

First price rise for phones

Mercury One-2-One, one of the four UK mobile phone operators, has been forced to raise its prices following the success of a marketing strategy which offers customers free off-peak local calls. The company is raising the monthly rental charge for its PersonalCall tariff by 20 per cent to £15 ($23.70) excluding tax from £12.50. It is the first price rise in the UK cellular phone business. One-2-One said the price increase "reflects buge demand for the PersonalCall tariff and the ongoing operational costs of providing customers with the service and customer snpport that One-2-One offers". Business tariffs remain unchanged. *Alan Cane*

Help urged for working women

Working women need better maternity arrangements and improved financial and social support from the government, said the House of Commons employment committee. It put forward several proposals to enhance working conditions for women with children. The Department of Employment dismissed the recommendations in an unusually swift reply as "an expensive menu without prices".

The MPs said paid maternity leave should be set at 18 weeks, thus ending the anomaly whereby, alone of European Union countries, the UK grants women a ststutory right to 14 weeks' leave but 18 weeks' maternity pay. The MPs' proposals included: a simpler statutory maternity pay scheme, including a longer period of paid leave; a standardised scheme for all employees; and financing of maternity leave wholly from general taxation. Ms Ann Robinson, head of the Institute of Directors' policy unit, said: "While we welcome proposals to simplify the system, the committee does not seem to be living in the real world. The recommendations will put up the cost of employing women and mean there will be fewer jobs for them."

Football stars are bailed

Three English Premier League footballers – Bruce Grobbelaar, Hans Segers and John Fashanu – arrested this week in an inquiry into match-fixing allegations have been released from custody on police bail. A Malaysian businessman, Mr Heng Suan Lim, was also freed, but Mr Fashanu's girlfriend Ms Melissa Kassampsi remains in custody. Mr Fashanu denied in strong terms having any knowledge of the issues being investigated.

ECONOMIC DIGEST

Long haul to confidence

Mr Kenneth Clarke, chancellor of the exchequer, conceded that the "feelgood factor" may not return for several years. "I personally quite accept that people aren't going to feel more secure, more comfortable, that they're going to get rising prosperity until we've carried on delivering this for another couple of years at least," he said on BBC Radio. "I think it could go on through the 90s."

Official figures showed that the number of people out of work and claiming benefit fell 27,400 last month to 2,364,700, a rate of 8.4 per cent. Retail sales rose sbarply last month, with volumes increasing 1.2 per cent compared with January and 2.6 higher than February 1994. Bnt the Central Statistical Office admitted that the monthly data was particularly volatile because of the timing of the Christmas holidays.

Mr Clarke said: "We're the only European country that's combining a fall in unemployment with the steady growth which is ahead of all the others."

Builders "disappointed": Building industry leaders said figures showing a 24.9 per cent fall in constructioo orders compared with a year ago were "desperately disappointing". Furthermore, house sales last month were 19.6 per cent lower than in February 1994, although sharply higher than in January this year.

Wage costs rise: Industry's wage bill is growing increasingly rapidly, sharpening the impact on companies' costs of receot rises in raw material prices, official figures show. In the three months to January manufacturers spent 0.6 per cent more on wages and salaries to produce each unit of output than they did in the same period a year aarlier, says the Department of Employment. That was the biggest rate of increase since the three months to May last year.

Unit labour costs have been accelerating ever more strongly since the middle of last year. Comparing the latest three months with the previous three, unit labour costs have been climbing at a rate equivalent to almost 8 per cent a year, the strongest such annual rise since 1991.

Unemployment "to stay high": Unemployment will probably stay above 2m until the next general election, due by June 1997 at the latest, in spite of a sustained fall in tha number of peopla out of work, says the Employment Policy Institute, an independent think-tank. It warns that wage pressure is likely to grow stronger once the jobless total falls much below that figure.

Redundancies decline: The number of people made redundant last autumn was 190,000, down 8.5 per cent from the previous year's figure. Of those made redundant in the previous three months, 32 per cent had already found employment.

TECHNOLOGY

Drugs are set to play a greater part in the treatment of psychological illnesses, explains **Victoria Griffith**

The pendulum is swinging

The distinction between *mental* and physical illness has always been fuzzy. In the 1800s, for instance, syphilis patients were locked up in asylums for their "madness". In recent years, the pendulum has swung in the other direction, and illnesses that were once considered exclusively psychological – depression and schizophrenia, for example – are increasingly treated with prescription drugs.

By influencing the brain's neurotransmitters – chemical "messengers" affecting behaviour – scientists are ameliorating a host of diseases that were once considered treatable mainly through psychotherapy.

Today's global market for mind drugs is well over $4bn (£2.5bn) a year, according to Ian Smith, analyst at Lehman Brothers in London, and growing fast. "In 1994, we saw over 100 per cent growth in some categories of psychiatric drugs," he says.

Drugs for schizophrenia and depression have been around for decades, but in recent years pharmaceuticals have been introduced for a wider range of psychiatric illnesses, including anxiety, obsessive-compulsive disorder (a condition characterised by repetitive behaviour such as checking the lock on a door dozens of times before going to bed) and attention deficit disorder, also known as hyperactivity.

The growing focus on the physical origin of psychological disorders was highlighted earlier this year when a joint venture between Du Pont and Merck, the US chemical and pharmaceutical groups, launched a drug for alcoholism – Naltrexone.

Naltrexone works on the brain's neurotransmitters to prevent alcohol consumption from generating euphoria. "I think we're on the verge of a technological revolution by which diseases which were once treated mostly through therapy will now be treated with drugs," says Kurt Landgraf, chief executive of Du Pont Merck.

Even obesity, widely considered the result of a lack of will-power, is being targeted by a neurotransmitter drug. Dexfenfluramine, developed at the Massachusetts Institute of Technology, targets serotonin, a neurotransmitter affecting mood and behaviour, and is now available in France and the UK as an appetite-suppressant.

"Using drugs in the treatment of psychiatric diseases has become so widely accepted that in a lot of cases if you don't treat with drugs, it's seen as sub-standard care," says Steven Paul, director of central nervous systems for drug maker Eli Lilly, which makes the anti-depression drug Prozac.

The flood of new mind drugs on to the market has led some to foresee the day when all psychiatric illnesses will be treated exclusively with pills. "Therapy will probably be excluded from treatment in the long run," says Donald Klein, professor of psychology at Columbia University.

Klein cites a 1970s study by psychologist Hans Strupp which found no significant difference between the results of psychiatric patients treated by experienced psychiatrists and by interested English teachers. "To prove the worth of therapy, it has to be evaluated as a more exact science," says Klein. "You have to assess whether a dream, for instance, is being interpreted in the correct way. That's difficult to determine."

Others believe therapy is unlikely to disappear altogether. Many pharmaceutical groups recommend that their drug treatments be accompanied by psychotherapy. Du Pont Merck, for instance, says its new alcoholism drug does not work unless it is used in conjunction with therapy. And an Oxford University study published in February in the British Medical Journal found counselling to be just as effective in treating depression as drugs.

Until more is known about the nature of psychiatric illness, most scientists believe treatment should include both drugs and therapy. There is some concern, though, that therapy will be cast aside in the quest for lower costs. "One danger in the boom in the psychiatric drug market is that drugs are generally cheaper than psychotherapy, so the temptation may be to just prescribe the drugs," says Peter Kramer, author of the best-selling book *Listening to Prozac*. "The practice may be getting ahead of what we're able to do."

There is some concern that therapy will be cast aside in the quest for lower costs

While the debate between advocates of drugs and therapy rages on, pharmaceutical companies are attempting to refine their understanding of the role of various neurotransmitters in different psychiatric illnesses. The launch of Prozac in the 1980s marked the birth of a new generation of mind drugs, known as selective serotonin re-uptake inhibitors. Scientists hailed them for their enhanced effectiveness with fewer side-effects – benefits which may be attributed to their more precise set of targets.

As knowledge deepens, drug companies are becoming more sophisticated about brain targets. Bristol-Myers Squibb's new anti-depression drug, Serzone, launched earlier this year, works by blocking the 5HT-2 receptor.

In all, some 16 specific serotonin receptors have been identified, and scientists hope that the more is known about the way those receptors work, the better drugs can be tailored to specific illnesses.

Since research is still in its early stages, however, scientists are sceptical that highly tailored psychiatric drugs will emerge soon. "It's a nice idea to tailor the drugs but the truth is we don't know what specific receptors do," says Robert McDivitt, trustee of the American Psychiatric Association. "The idea that a specific molecule fitting perfectly into the lock will fix the problem is dubious right now."

Physicians point out that some of the most effective psychiatric drugs on the market today are "dirty" drugs – treatments with a broad impact on brain functions. Clozapine made by Sandoz of Switzerland, which many psychiatrists hail as the most effective schizophrenia drug available today, is a dirty drug, interacting with a number of different neurotransmitters. Prozac can also be considered dirty, since it has an effect, not just on depression, but on bulimia, obsessive compulsive disorder and other illnesses.

One problem in drug tailoring is that neurotransmitters may be just the first domino in a series of brain reactions affecting a psychiatric illness. Serotonin re-uptake inhibitors, for instance, have an almost immediate impact on serotonin, but patients taking the drugs do not show any improvement for several weeks. "The more quickly the drug has an effect, the closer we're likely to be to the source," says Paul.

He compares today's psychiatric drugs with aspirin. "Aspirin works on fever, whether the fever is from bacterial infection or something else," he explains. "But to cure the symptoms of psychiatric illness doesn't mean we're getting to the root of the problem."

Another challenge to psychiatric drug development is that diagnosis itself is difficult. Patients suffering from schizophrenia may also have symptoms of depression, for example, and patients with obsessive compulsive disorder always suffer from anxiety as well. "Depression is not caused by a single chemical or biological cause," says James Jefferson, clinical professor of psychiatry at the University of Wisconsin. "There are multiple causes, just as there are probably multiple causes for schizophrenia."

Whatever the problems facing mind drug development, pharmaceuticals have already profoundly improved the lives of psychiatric patients around the world. As new drugs come on line, their impact will be even greater. While psychotherapy may not be discarded any time soon, drug treatment is set to play a growing role in the treatment of psychological diseases.

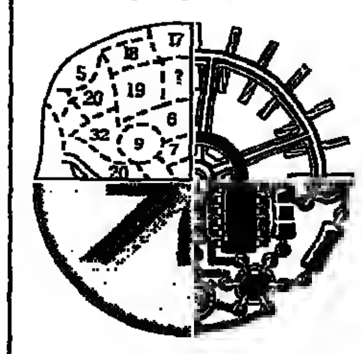
World sales of mind drugs

Name	Company	Category	1994 ($m)
Prozac	Eli Lilly	Anti-depressant	1,670
Zoloft	Pfizer	Anti-depressant	718
Seroxat	SmithKline Beecham	Anti-depressant	510
Clozaril	Sandoz	Anti-psychotic	358*
Xanax	Upjohn	Anxiolytic	342
Ativan	AHP	Anxiolytic	323
BuSpar	Bristol-Myers Squibb	Anxiolytic	285
Risperdal	Johnson & Johnson	Anti-psychotic	175*
Anafranil	Ciba-Geigy	Anti-depressant	154*
Lexotanil	Roche	Anxiolytic	145*

Source: NatWest Markets

* Estimate

Worth Watching · Vanessa Houlder



Inner workings of chloroquine

A new insight into the workings of chloroquine, which has been the principal drug in the fight against malaria for some 50 years, has been uncovered by scientists working for the Infectious Diseases Division of Roche in Basle.

Their work centres on what happens to the iron-containing haem part of the haemoglobin molecule, which is toxic to the malarial parasite. For several years, it has been known that the parasite copes with the haem by turning it into an insoluble compound called haemozoin – a process blocked by the chloroquine.

Until now, it was thought that this process was catalysed by an enzyme encoded by the malarial parasite. However, the Roche scientists have found that the haem molecules polymerize spontaneously in the interior of the infected red blood cells, according to a report in today's Nature.

This discovery may help in the design of new drugs and may throw new light on the steps by which malarial parasites become resistant to chloroquine.

Roche: Switzerland, tel 61 688 1111; fax 61 688 2729.

Getting under the skin

Scientists at the Fraunhofer Institute for Biomedical Engineering in Germany have developed a technique using nuclear magnetic resonance microscopy to monitor how creams work beneath the surface of the skin. The process, which identifies molecules by the vibration of nuclei in a magnetic field, allows researchers to identify the position and type of any compound within the different layers of skin. It can also be used to research treatments for skin diseases such as psoriasis and dermatitis.

Fraunhofer Institute for Biomedical Engineering: Germany, tel 6894980250; fax 6894980400.

No tokens on the electric meter

A system that allows electricity payments made at local retail outlets to be transferred to the customer's meter via the mains supply cables has been installed by Siemens, the German engineering group.

The system installed for ScottishPower at Portobello in Scotland is the first tokenless pre-payment metering to be introduced in the UK. Instead of using tokens, the customer purchases electricity at a local retail outlet using an ID card.

Siemens: UK, tel (0)1344 396396; fax (0)1344 396693.

Computer to watch over shoulder

The spread of computers into schools often results in an inefficient use of the teacher's time, as staff spend lessons walking around the classroom monitoring each pupil's progress.

A system recently launched in the UK by TLS, a German educational technology company, allows the teacher to monitor all the screens in the classroom from a single computer.

TLS Electronic: UK, tel (0)1732 873990; fax (0)1732 873991.

Illegal bird keepers beware a DNA test

A modified approach to DNA fingerprinting is promising to make further advances in curbing illegal trade in birds of prey.

Scientists have helped convict illegal keepers by disproving claims that birds have been bred in captivity. They have used DNA extracted from blood samples to show that they are unrelated to the birds that a breeder claims to be their parents.

Scientists at the University of Nottingham believe that a development of the technique in which the DNA is taken from bird feathers, rather than blood, will provide an even greater deterrent to the illegal trade, since birds can be tested more quickly and efficiently.

University of Nottingham: UK, tel (0)602 515765; fax (0)602 515733

LEADER INST. B - INB

SOME THINGS CHANGE ONLY IN NAME SOME NAMES CHANGE THINGS

As of todoy New Hollond is living proof of the foct thot the whole is greoter thon the sum of its ports. As of todoy the New Hollond nome unites two of the world's lorgest producers of form mochinery, Fiatagri ond Ford New Hollond, in on orgonizotion thot is versotile, ogile ond innovotive.

Guided by the customer's needs, New Hollond offers odvonced technology, o full ronge of products ond unfoilingly efficient service. For people who, in cultivoting the lond, ore cultivoting o new ideo of the world, New Hollond offers the tools not just to produce more but olso to produce better.

NEW HOLLAND

MACHINERY FOR ADVANCED AGRICULTURE

FROM THE WORLDWIDE EXPERIENCE OF FIATAGRI AND FORD NEW HOLLAND

ARTS

Cinema/Nigel Andrews

Adventures of a live-in cleric

Pastoral credibility at stake: Linus Roache in 'Priest'

Priest slips into Britain perfectly timed for e season of episcopal brouhaha. Lauded at major festivals, the tale of a young gay Catholic priest (Linus Roache) grappling with his failed celibacy is both funny and moving. Writer Jimmy McGovern, of TV's *Crackers*, sends his hero to Liverpool to be a live-in cleric with older priest Tom Wilkinson, already living with his housekeeper/mistress (Cathy Tyson). There the movie becomes a war of competitive righteousness, interrupted by breaks for natural human catastrophe.

Roache'a predecessor was sacked after ramming the Bishop's windows with a crucifixion beam. This is the film's opening scene and becomes its formative image. Irresistible objects keep launching themselves at immovable forcea. The young priest's sexuality makes dents in his self-belief and his pastoral credibility. And life with his brother in Christ is one long moral and theological jousting match, with Wilkinson part warrior, part snorting warhorse: full of ground-pawing indignation and whinnying sarcastic wit.

McGovern's script rejoices in impious comedy. When the older man ventures an unctuous quotation about keeping a light burning in hell, Roache asks, "Tammy Wynette?" "John the 23rd" snaps Wilkinson. When a family contemplating a cremation suggest the dead man's favourite song be sung at the ceremony, someone reminds them that it was "Great Balls of Fire". Director Bird also presses the "guffaw" button by depicting tha huffings of the crusty Bishop, as his diocese gradually dissolves into scandal.

If steered much further towards comedy, the film might have been "Carry On Catholics". Instead the main subplot concerns a child-abuse incident and the agonised impotence of Roache who hears of it in the confessional. Father and daughter in turn visit this sanctum of secrecy: she frightened but stubborn, he a Satanic face behind the grille, like a luminous, pointillised photofit. Holes have been punched suddenly in the film's good-natured rationalism, throngh which we glimpse the radiance of hell.

This BBC-funded film has e televisual intimism, but Antonia Bird directs as if faces were landscapes: not just twee vistas of British eccentricity but living volcanoes. Even when the film goes "over the top" at the climax – with massed larynxes bursting into "You'll naver walk alone" on the soundtrack when Roache goes to trial – we feel it has earned its right to be pop-operatic.

★

Some titles chill the blood. For modern tastes *Little Women* is one: we picture the Kate Greenawayish New England cottage, the winsome family valnes, the tintinnabulation of female laughter across the Christmas card landscapes. This fourth film version of the Louisa May Alcott perennial, by Gillian Armstrong of *My Beautiful Career*, begins ominously. Snow; giggles; and a music score which soars.

Then the actresses start delivering and we sigh with relief. They are not trying to take short cuts to our hearts, nor is the film. indeed the four sisters conduct a regime of cranky interaction worthy of Chekhov: from Winona Ryder's restless, bossy, bubbling Jo to Kirsten Dunst's brattish angel Amy.

PRIEST
Antonia Bird

LITTLE WOMEN
Gillian Armstrong

IMMORTAL BELOVED
Bernard Rose

I.Q.
Fred Schepisi

EDEN VALLEY
Amber Films

Sister Meg (Trini Alvarado) is a sweet, tall, *degagé* saint. Beth (Claire Danes), doomed to die young from tha lingering effects of scarlet fever, is a heartbreaker because she refuses to play for heartbreak. And "Marmee" is Susan Sarandon, simultaneously strong and wistful, a feminist railing against corsets, a mother dreaming of better times after the Civil War.

The men romance in and out, largely surplus to requirements. Christian Bale's Laurie and Gabriel Byrne's Professor Bhaer are hardly even romantic catalysts. Beth apart, these girls patent their destinies even before reality presents itself. Besides, the true romance here is "bome." *Little Women* belongs to the same tradition as *Long Day's Journey Into Night*, Look Homeward, *Angel* and company: family bonding as the irresistible counter-myth in a country where the imperative has been to be nomadic.

★

Elsewhere, German genius stalks the land. Gary Oldman is Beethoven in *Immortal Beloved* and Walter Matthau is Albert Einstein in *I.Q.*. Since each film has a climactic scene where characters are framed against a starry sky – representing the infinity that genius alone is able to peer into – we wonder why the makers did not cock a real snook et time's tyranny by turning the two projects into one. "Al And Ludwig's Excellent Adventure" would surely be foolproof at the box office; and certainly better than either of these single efforts.

Immortal Beloved begins in biopic overdrive, with thunder and lightning, accompanied by the opening chords of the Fifth, lashing the face of Beethoven as an old man. Veering between shockhaired youth and putty-faced old age, the British actor famed for playing historical icons – Joe Orton, Sid Vicious, Lee Harvey Oswald – clumps through the composer's life with a German accent (sort of) and a look of grumpy imperiousness.

The music unfolds in Greatest Hits style on the Solti-condncted soundtrack, as well as being sewn arduously into the dialogue. "I forgave him hecause of the Ode to Joy," says someone. "It was that damned sonata – the Kreutzer!" exclaims Jeroen Krabbe as Anton Schindler, our conductor through B's life as we seek the meaning of his music and the identity of the "immortal beloved" named in his will.

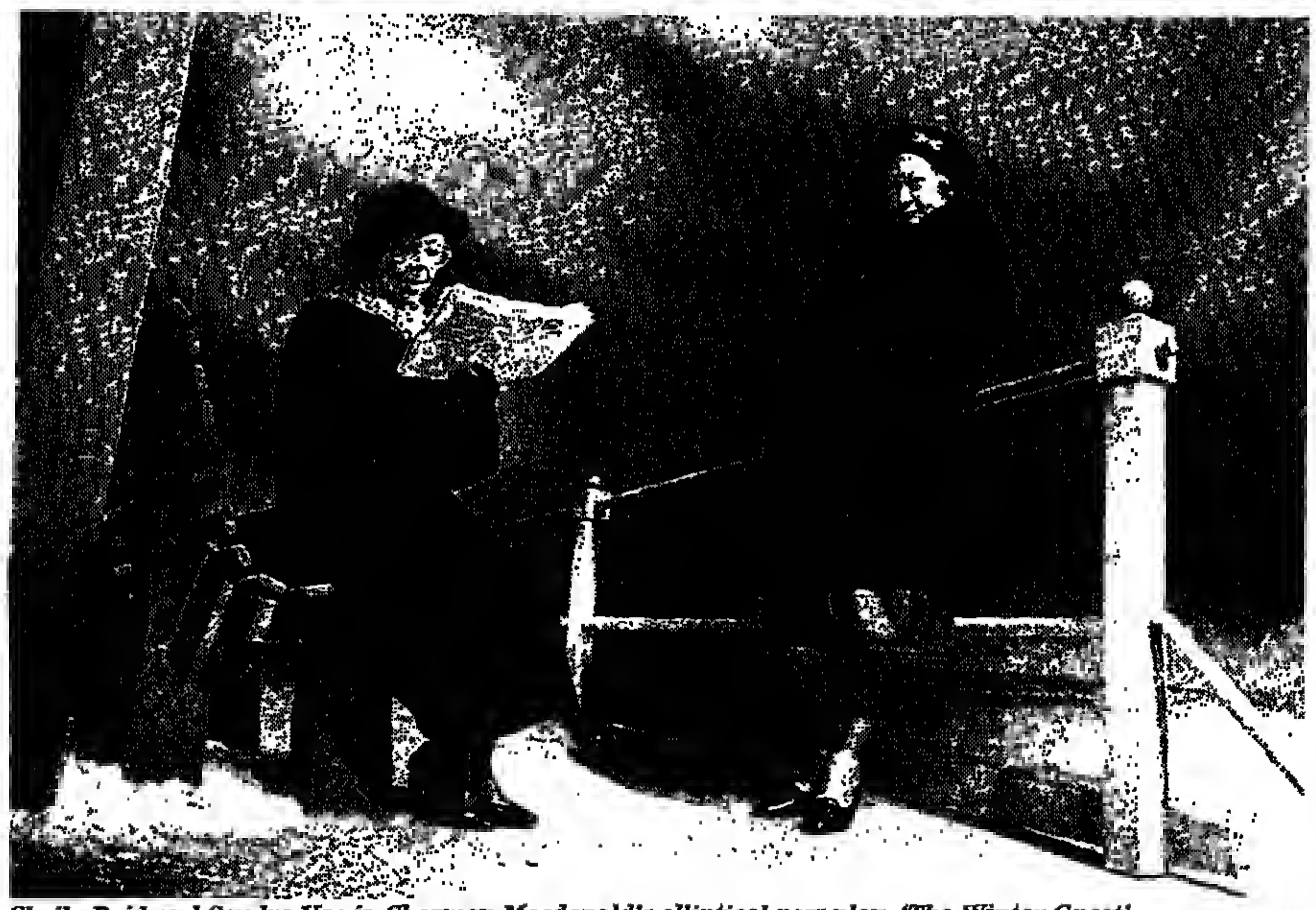
The beloveds duly line np for inspection. Isabella Rossellini as Countess Anna Marie, Valeria Golino as Julia Guicciardi, Johanna Ter Steege as sister-in-law Joanna. We expect Schindler to cry, "That's the one, officer!" when he at finally steps in front of Fraulein Right.

British writer-director Bernard Rose (*Paperhouse*, *Candyman*) has one and a half good ideas. The half is the distorted filtering of the music, in two scenes, through Beethoven's deafness: we sense the pain and frustration of creativity sundered from its creation. The *coup de cinema* is the astonishing moment when the hero "steps into" the stars. Do not let me describe it: see it for yourself, even if you decide to wait for the video.

I.Q., e comedy, is like *Forrest Gump* without the laughs. Garage mechanic Tim Robbins falls for Princeton physicist Meg Ryan, who is Albert Einstein's niece. This is the 1950s, when America was full – epparently – of wacky European professors riding mobile blackboards, solving the mysteries of time and space, and doing a little matchmaking on the side.

Matthau's Einstein seems to be suffering concussion after an accident with a candy-flosa machine. His "hair" covers most of the screen. Meanwhile Ryan and Robbins peep round the edges, striving to be screwball without much help from the script. The initial joke is that the boy must masquerade as a physics genius to win the girl. The sentimental pay-off is that she loves him even – indeed more – without his brains. Pura Gumpishness, directed by Fred Schepisi.

Eden Valley is the week'a second good British film: probably a record. Amber Productions, a Newcastle-based co-operative, crafted this tiny-budgeted tale of a boy honding with an estranged fathar in the yet stranger world of "harness-racing." A filial comedy, darkening into pastoral tragedy. Since it is at the ICA, the film will probably be seen only by three people and a beagle; but you should be among them.



Sheila Reid and Sandra Voe in Sharman Macdonald's elliptical new play, 'The Winter Gnest' Alastair Muir

Theatre/Sarah Hemming

On the transient nature of life

One of the problems faced by any dramatist is that drama demands drama – whereas we all know – in real life the most important events are often not dramatic. Situations change imperceptibly, relationships alter slowly, we reveal ourselves in casual conversation, death often creeps in stealthily.

Perhaps the greatest strength of *The Winter Guest*, Sharman Macdonald's beautiful, elliptical new play, is that she has the courage to stage the inconsequential and show how it reveals our great preoccupations. There is no plot as such, just a series of duets between eight characters, who often talk away about nothing very much. But as the play progresses she adds a little shading here, a little depth there, until the last line reveals the overall shape, and what looked deceptively formless suddenly has meaning.

On one level her play (first seen at West Yorkshire Playhouse and now at the Almeida Theatre) is about relationships. Macdonald picks several couples – a mother and her widowed daughter, a budding adolescent romance, two elderly lady companions, a pair of schoolboys – all of whom are rattling round a beach on the west coast of Scotland on a freezing February day, all of whom are on the verge of some massive change in life. As they alternately scold and hold each other, she puts across wonderfully the conflicting needs to be needed and to be alone.

But the play's deepest theme is death, and the presence of death in life. Deatb is the unseen companion of everyone in the piece – a winter guest anticipated by the old ladies, it has frozen the life of the young widow and cast a shadow over her son. And even as he struggles to hreak the ice that have formed over their lives, the unwelcome guest steals in elsewhere. Yet the mood of the piece is not sombre and the elegiac note that seeps into every nook of the play is counterbalanced by its warmth and robust humour.

Alan Rickman's sensitive, generous production does it wonderful justice. It has a natural ease that convinces you that you are simply eavesdropping on the characters and it brings out both the play's fragility and its earthy humour. Rickman is belped by Robin Don'a heautiful, atmospberic set, which plays cleverly with perspective to portray a long promenade beside an icy sea, reflecting physically the play's preoccupation with life at the edge of death.

Macdonald writes with wit and compassion ebout the texture of relationships and the fine cast rises to this with relish. Phyllida Law and Sian Thomas are excellent as the eccentric mother and defensive daughter, trying desperately to reach eacb other but constantly foxed by their sharp tongues. Sheila Reid and Sandra Voe are delightful as the two old ladies, who try to head off the Grim Reaper and fill time with a hectic schedule of cremations and cream teas. John Wark and Antbony J. O'Donnell are immensely funny as the two truant schoolboys, fretting about puberty and experimenting with remedies to increase their sexual equipment.

Macdonald's style can be whimsical and sentimental but, quietly and unemphatically, her play builds a little world, so that it seems to catch for an instant the intangible, transient nature of life.

Theatre/Alastair Macaulay

Tepid in 'Uganda'

Slowly, too slowly, Judith Johnson's new, two-hour play *Uganda* tells a touching little tale of a crusty old widower and his family of three adult children. Each of its characters have their mental blocks, caused hy old inequalities of parental affection, curable only by careful solicitude. The setting is a working-class living-room somewhere around Liverpool; the TV set, often switched on, is a central prop. At times the play seems like a drastic reduction of *King Lear*: down-class, small-scale, low-key.

The widower, Billy, loves one daughter, Trish, but cannot encourage her to have any life of ber own; with his elder daughter Emily (favourite of his late wife; and now a lesbian) he cannot communicate with any ease; and his deeply conventional son Tommy suffers from having been underloved by either parent. We learn that Billy's uncommunicativeness with his children is a legacy of the treatment he received from his own father; and that his wife had kept Emily in a cocoon of her own affection that excluded him. He is still mourning his wife now, and has stopped going anywhere beyond the front garden. But Emily feels that thia mourning is only an excuse for the deeper selfishness that has always marked him. It is probable that she is, in part at least, correct.

The chink, however, in Billy'a defensive and selfish armour is tha TV set and, in particular, the news it brings him of the larger troubles of Bosnia, Somalia, and other afflicted locales. Into this gloomy set-np arrives an unlikely Little Lord Fauntleroy – Aakash, a British Indian born in Uganda and now Trish's boyfriend. Aakash, sunny and upbeat, is not only an easy communicator, he also can bring Billy tidings of Uganda and the Asian community and can thus encourage him to open up. "Uganda!" says Aakash, proposing a holiday there, "That would be something worth leaving the house for, wouldn't it?" "Yes, son," says Billy, "Mebhe it would."

The play is deliberately drab. Its general temperature is tepid, it begins in dismal dullness, its multiple scenes necessitate too many unpregnant pauses with the lights down. All the children's problems are stated but underdeveloped; Billy's interest in the Third World, albeit interesting, is underdeveloped too.

Yet we follow *Uganda* without any irritation and with gathering concern. It seldom rings false, and the actors deliver it with so much truthfulness that we cannot help but care about, and believe in, their characters. David Fielder, though he overdoes some of Billy's more tottery later movements, catches very well tha nervous intensity behind the old man's crust. (He looks, for all his shambolic gait and attire, extraordinarily like Eric Porter's BBC-TV Soames Forsyte in old age). Sally Rodgers completely conveys the tender patient devotion of Trish (Cordelia on the dole). All the others – Tanya Ronder as Emily, Ruth Lass as her girlfriend Sal, Karl Draper as Tommy, Ashley Jensen as his wife Gail, and Kulvinder Ghir as Aakash – perform witb such detailed absorption that tbeir acting becomes transparent. Polly Teale, directing, must take credit for some of the play's tepidity, but she deserves praise for so many convincing performances.

At the Theatre Dpstairs, Royal Court, S.W.1

Harold Pinter awarded the David Cohen literature prize

Harold Pinter, the playwright, is £40,000 richer today. Last night he was awardad the David Cohen British literature prize, which is the most valuable in the book world. Harold Pinter can keep £30,000, but the other £10,000, contributed by the Arts Council, goes to a cause of his choosing. He has given it to the Citizens Theatre in Glasgow to encourage new writing.

The biennial prize is for lifetime achievement in the literary world, and is usually awarded to a mature writer. The first winner, in 1993, was the novelist V.S. Naipaul. David Cohen is a retired north London doctor whose family trust gives £50,000 a year to the arts, mainly to experimental productions, such as Harrison Birtwistle's *The Second Mrs Kong* at Glyndebourne and *Gawain* at Covent Garden, and to new works at tha ENO.

He decided to fund the award when he realised that there was no prize that recognised the whole body of a writer's work.

Antony Thorncroft

INTERNATIONAL
ARTS GUIDE

■ BERLIN

OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01

● *Lucia di Lammermoor*: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Mar 22

● Martha odar Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 16

● Ring um den Ring: by Wagner. Ballet based on "The Ring Cycle", choreographed by Maurice Béjart; 7pm; Mar 18, 21

● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 19

■ FRANKFURT

CONCERTS

Alte Oper Tel: (069) 1340 400

● Chamber Orchestra of Europe: with pianist Gerhard Oppitz. Iván Fischer conducts Stravinsky and Beethoven; 8pm; Mar 21

● Frankfurt Opara House and Museum Orchestra: Jia Lü conducts Hindemith and Beethoven; 8pm; Mar 19 (11pm), 20

● Radio Symphony Orchestra Frankfurt: with pianist Tzimon Barto. Dimtrij Kitajenko conducts Ravel, Gershwin and Mussorgsky; 8pm; Mar 16, 17

● South Western Radio Orchestra: with mezzo-soprano Vesselina Kasarova and tenor Zoran Todorovich. Peter Falk conducts a variety of operatic pieces; 8pm; Mar 22

■ LONDON

CONCERTS

Barbican Tal: (0171) 638 8891

● London Symphony Orchestra: Daniele Gatti conducts Wagner, Hindemith and Tchaikovsky; 7.30pm; Mar 19

● Mahler Festival: this concert opens the second part of Michael Tilson Thomas' Mahler Festival, the highlight of his final season as the principle conductor of the LSO. This performance includes the UK premiere of Scnittke's 'Concerto Grosso No.5; 7.30pm; Mar 22

● The Magic of Mackerras: Sir Charles Mackerras conducts the Royal Philharmonic Orchestra and violinist Tasmin Little to play Dvořák, Janáček and Martinu; 7.30pm; Mar 17

● The Magic of Mackerras: Sir Charles Mackerras conducts the Royal Philharmonic Orchestra and cellist Steven Isserlis to play Dvořák; 7.30pm; Mar 17

Festival Hall Tel: (0171) 928 8800

● Cologne Radio Symphony Orchestra: with pianist Lars Vogt. Hans Vonk conducts Beethoven and Bruckner; 7.30pm; Mar 20

● Royal Philharmonic Orchestra: with pianist Yefim Bronfman and conductor Vladimir Ashkenazy plays Bartók and Shostakovich; 7.30pm; Mar 21

● Tha Bach Choir: with the City of London Sinfonie and conductor Sir David Willcocks plays Kodály, Szymanowski and Janáček; 7.30pm; Mar 18

Queen Elizabeth Hall Tel: (0171) 928 8800

● Deutsche Kammerphilharmonia: Mikhail Pletnev conducts Haydn and Mozart; 7.45pm; Mar 18, 19

● London Sinfonietta: Sir Simon Rattle conducts Poulenc's "Les Mamelis da Tirésias" and Boulez's "Le Soleil des Eaux". Soloists includa Lucy Shelton, Barbara Bonney and Phillip Langridga; 7.45pm; Mar 17

Wigmore Hell Tel: (0171) 935 2141

● Mariinsky-Kirov Series: with baritone Dmitri Hvorostovsky and pianist Mikhail Arkadiev. Programme includes Arie Anticha and songs by Glinka and Sviridov; 7.30pm; Mar 20

GALLERIES

Victoria and Albert Tel: (0171) 938 8500

● Warworks: women photography and the art of war. A perspectiva of war through the eyes of intamational women artists; to Mar 19

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● Don Giovanni: a new production of Mozart's opera. In house debuts for director Guy Jcostan and conductor Markus Stenz; 7pm; Mar 17

● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 18, 22

● Tha Cunning Littla Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 18

Royal Opera House Tel: (0171) 304 4000

● Gisella: music by Adolpha Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Petar Wright; 7.30pm; Mar 17, 21

● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 18

THEATRE

Vaudeville Tal: (0171) 836 9987

● Killer Joe: by Tracy Letts, directed by Wilson Milam; 8pm; to Apr 1 (Not Sun)

■ NEW YORK

CONCERTS

Alice Tully Hall Tel: (212) 875 5050

● Stuttgart Chamber Orchestra: Dennis Russell Davies conducts Diamond, Shostakovich/Barshai and Glass; 2pm; Mar 19

Avery Fisher Tel: (212) 875 5030

● New York Philharmonic: with soprano Gillian Webster. Sir Colin Davis conducts Mozart and Mahler; 8pm; Mar 16, 17 (2pm), 18, 21 (7.30pm)

Carnegie Hall Tel: (212) 247 7800

● Cincinnati Symphony Orchestra: with soloiats Katia and Marielle Labèqua. Jesúa López-Cobos conducts Wagner and Bruckner; 8pm; Mar 20

● Kiri Te Kanawa: and pianist James Levine perform their only New York recital of the season; 3pm; Mar 19

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 18

● La Bohéme: by Puccini. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 18 (1.30pm)

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 17, 20

● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco; 8pm; Mar 16

● Tosca: by Puccini; 8pm; Mar 22

THEATRE

Roundabout Theatre Company Tel: (212) 869 8400

● The School for Husbands/ The Imaginary Cuckold: by Molière. Michael Langham directs Richard Wilbur's translation and stars Brian Bedford; 8pm; to Mar 17 (Not Mon)

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 49 52 50 50

● Samuel Ramey: bass and pianist Warren Jones open the Sony Classical Series; 8.30pm; Mar 18

● The Royal Chapel Vocal College of Ghent: with soprano Sibylla Rubens and tenor Christoph Prégardien. Philipe Herreweghe conducts Bach; 8.30pm; Mar 19

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Chamber Music: with violinists Fréderic Laroque, alto Jean-Claude Dewaele and counterbass Thierry Barbé from tha Orchestra of the National Opera. The programme includes Bach, Teleman and Mozart; 8pm; Mar 21

GALLERIES

Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27

● André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)

Musée Du Petit Palais Tel: (1) 42 65 12 73

● Carthage: history, its impact and resonance; to Jul 2

OPERA/BALLET

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Magnificat: music by Bach, choreography by John Neumeier. Gunther/Rainer Muhlbach directs thia production presented by the Ballet of tha National Opera of Paris; 7.30pm; Mar 17, 18

● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Mar 16, 20

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● Stuttgart Chamber Orchestra: Dennis Russel Davies conducts Mozart, Schnittke, Britten and Boccherini; 7.30pm; Mar 20

GALLERIES

National Gallery Tel: (202) 737 4215

● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the cathedrals of Florence, Pavia and St. Peter's; to Mar 19

THEATRE

Arena Stage Kreeger Theater Tel: (202) 554 9066

● Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by Christopher Hampton; 7.30pm; to Mar 19 (Not Mon)

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

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European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Search for a new economic orthodoxy

BOOK REVIEW

THE STATE WE'RE IN
By Will Hutton
Cape, £16.99, 352 pages

Those who read The Guardian to be provoked rather than *soothed* have a reliable friend in Will Hutton, its economics editor. His engagement with economic and social events is unfailingly passionate, his perceptions are vivid and acute: he would make the complacent squirm if they took the trouble to read him. But finding fault with the world is easy, and his Roundhead convictions often seem to lead to Wronghead conclusions.

This book was worth writing, and has been widely read. Its success has astonished the author, since political economy is not the usual stuff of best-sellers, and it is not designed to give pleasure. Hutton offers a critique of the British financial system from top to bottom in the search for a post-socialist alternative to the orthodoxy of the no-longer-*New Right*.

I cannot help liking a writer who takes so much trouble in pursuit of such a serious ambition, although he distorts and exaggerates recklessly along the way, even *libelling* your reviewer: "South Wales or Durham might as well be in Latin America for all the effect their decline has on the directors of Barclays or Lloyds. The London financial markets make their cold-blooded judgment . . . " *I take* exception to this characteristic old Huttonian paragraph, but not offence.

It is worth starting with the banks because they are central to Hutton's argument that the financial system is faulty and is responsible for the poor performance of the British economy as a whole. This he establishes with some tendentious statistics, preferring never to state a case that can be overstated. We read very early about "commercial mistakes of the first magnitude . . . the clearing banks, who lent massively on property . . . " Fair cop. But a dozen pages later: "The British economy is organised around . . . clearing banks averse to risk."

This having-it-both-ways crops up again and again: Hutton longs to defy the risk-reward ratio; more charitably, he believes that other countries have financial systems that manage it more rationally.

Hutton moves from banks to pension funds and their notoriously "short-term" economic behaviour. He skates over the point that their maturity profiles make these funds, taken as a whole, the longest-term investors of all. He also ignores the evidence that fund managers are at last beginning to take their proprietorial duties seriously because they have worked out that their holdings are too big to sell.

But the champion short-term operator is that notoriously fly-by-night organisation, the Bank of England. The Bank's preference for using high leverage in the overnight money markets to influence interest rates is a confirmation for Hutton of the stunted time horizons of the Establishment: he has somehow forgotten that it also operates in the long-dated bond market.

The *real* trouble is that Hutton hates markets but spends his life among them; he rails with impotent fury, like an Irishman who hates the rain and envies drier countries. He seeks inspiration in the more controlled environments of *Germany and Japan*, while rightly emphasising the difficulties of importing elements from someone else's interlocking system.

But his view of both countries is shockingly naive: a reader would not learn about the unease in Germany over banks' equity holdings. And when Hutton – after page upon page lambasting the greed of the British ruling class – announces that senior Japanese businessmen earn twice the average wage, I giggle a bit. To be fair, he adds, with the air of a doctor insisting you take your malaria tablets, that "fraud and corruption are widespread" in Japan.

In his anxiety to prove how awful the 1980s were, Hutton has forgotten how perfectly awful the 1970s were. I remember a retired Labour minister saying to me in 1975 that "in 20 years, if we're lucky, Britain will have the standard of living of Yugoslavia. That would be a good outcome". Such carefully *calibrated* despair was the proof of wisdom at the time.

The amazing fact about the UK economy is its unexpected success in that period. And now, after the chemistry-set capitalism of the early Thatcher years, we seem to be arriving at the once-impossible destination: an export-led recovery, a sterilised housing market, low inflation and the most solvent, if shabbiest, public sector in Europe – while banks that fail are allowed to fail. Some of these improvements occurred too late to be incorporated in this book.

Hutton ignores the role of inflation as the root of short-termism: monetary instability and high nominal interest rates compel investors to favour immediate cashflows. I think he simply does not understand this.

For all its progressive pretensions, this is an old-fashioned book. It combines national economics ("distortions" occur when exchange controls are withdrawn, but not when they *are imposed), Marxist elements* (class analysis, property as an appropriation on the collective), male-employment orientation, dislike of the service sector, and so on. It is silent on the new technologies largely responsible for the labour market insecurity that he deplores, *considering* it a *symptom* of capital triumphant. He yearns for yesterday's economy in tomorrow's state.

But in one central, awkward, area, Hutton is completely right. British capitalism's rejection of social values and reaction against earlier collective excesses has *gone too far*. Too much individualism is bad for too many individuals.

Hutton understands this entirely, and it would be a shame if the faults of his book led his critics to miss the point that really matters. Alas, those who need to read it probably will not, and those who do will swallow all the nonsense.

Martin Taylor

The reviewer is chief executive of Barclays

ECONOMIC VIEWPOINT

Defusing pension time bomb

By Samuel Brittan

The ageing of the European population in the next few decades will undoubtedly put a burden on national economies. Unfortunately, however, the discussion has concentrated almost entirely on the financial mechanics rather the real transfer of resources lying behind them and which are likely to cause the problems.

Basic state pensions are financed in most countries on a pay-as-you-go basis. This means that social security contributions and taxes pay for today's pensions, just like the rest of state spending. Whatever their other defects, pay-as-you-go schemes have the virtue of making clear the nature of the transfers.

For there is no direct way in which the present generation can transfer resources to future ones, however ingenious the financial mechanics. Today's pensions are paid for by people working today, who have to consume less to leave resources over for the retired to enjoy. Similarly, pensions in the 21st century will be paid for by those working then.

The key trends were set out in a well-publicised Federal Trust report earlier this year (*The Pensions Time Bomb in Europe*, £8.95). The projections relate to the dependency ratio, that is the ratio of people aged 65 and over, to the 15 to 64 age group.

For the 12 EU countries, the dependency ratio is expected to *rise from 21 per cent in 1990* to 43 per cent in 2040. The worst-hit will be Italy where the ratio is forecast to rise to 48 per cent. The UK will have a more modest increase than average, from 23 per cent to 39 per cent. Not surprisingly, state spending on pensions is expected to *rise roughly* in line with the dependency ratio.

These trends can do with emphasising. They mean that for every five people of working age, there will be well over two retired people to support. The policy question is whether governments have accumulated pension commitments which cannot be fulfilled without provoking a revolt by the younger and more able-bodied.

There is not much solace to be found in hoping the projections are wrong. If anything, advances in medical science are likely to increase the dependency ratio by prolonging life.

The problem is aggravated by another alarming trend, that towards premature retirement. In the UK the male activity rate – that is the proportion gainfully employed or looking for work – is down to 54 per cent in the 60 to 65 age group, and 81 per cent in the 55 to 59 age group. People in that age group in the UK have left work because of redundancy or dismissal. In France just 14 per cent of the 60 to 64-year-olds are economically active. In Belgium only 50 per cent even of 55 to 59-year-olds are active.

The premature drop-outs doubly aggravate the dependency problem. They do not contribute to the revenue base from which state pensions benefits are paid. And they add to the burden in the welfare state if they draw invalidity or other benefits. It is quite extraordinary that at times of improved health and life expectancy people should be discouraged from continuing work so young.

The shortening of the working life is the culmination of many influences. There is the instinctive tendency of so many employers to respond to *overstaffing pressures* by edging out older workers. There is also prejudice against recruitment of older workers, in spite of evidence that they are more reliable and effective in many jobs.

There are also specific practices which encourage premature retirement. There is the convention that workers should retire at top pay rates. The convention is reinforced by the provision in most pension schemes for pensions to be based on the last few years of working life, which makes workers themselves reluctant to *stay* in their *posts* when they may be past their earnings prime.

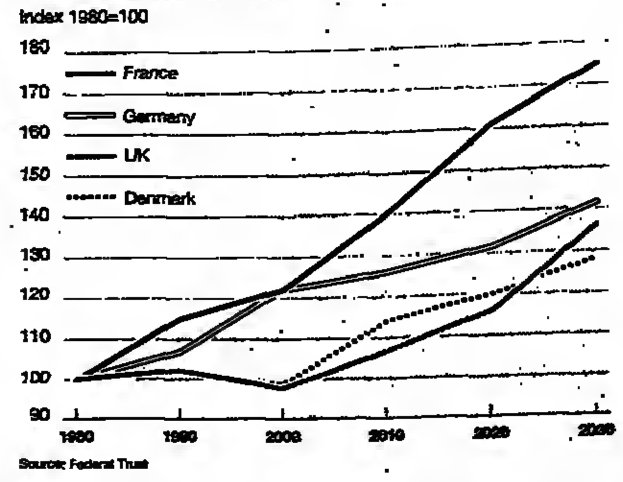
There has been a similar trend at the bottom of the age scale. Within the space of two decades – 1975 to 1995 – the normal span of a man's working life will have dropped by nearly a third. The effective dependency ratios are thus much higher than those shown in the table.

Without radical changes many more EU states will need, according to the Federal Trust, either to lower benefits or raise contributions or taxes substantially – in some countries they will have to double.

State pensions

Expected growth of public expenditure

Index 1980=100



Source: Federal Trust

The *Federal Trust*, like many other inquiries, has recommended that an increasing share of the cost of retirement should be taken by privately funded arrangements. The UK has made strides along this road by tying the basic pension to prices rather than earnings, and reducing the scope of the state earnings related pension scheme (Serps). Thus people have been put on notice that they need to be in a corporate scheme, or make their own arrangements, if they want more than a meagre subsistence pension after retirement.

Age dependency ratio

Persons 65+ as % of persons aged 15-64

	1990	2040
Belgium	21.6	41.5
Denmark	22.2	43.4
Germany	23.7	47.1
Greece	20.5	41.7
Spain	17.0	41.7
France	21.9	39.2
Ireland	18.4	27.2
Italy	20.4	48.4
Luxembourg	20.4	41.2
Netherlands	17.4	48.5
Portugal	16.4	38.9
UK	23.5	39.1
EU	21.4	42.8

Source: Federal Trust

It is, however necessary to look beyond the financial mechanics. For the only true ways of easing the burden are:

● Reducing the sums to be transferred, for example by raising the pension age. The UK is to raise the age for women from 60 to 65 between 2010 and 2030; and the US is raising the general retirement age to 67.

● Increasing the growth of the real national income so that a given transfer burden becomes less heavy.

● Changing institutional *arrangements so that those* at work will be more willing to make the transfers.

Ingenious financial arrangements for funding or private pension schemes are relevant only to the extent that they contribute to the above three objectives.

Privately *funded* schemes may indeed make the working population more willing to accept the transfers. For funded pensions will be property rights and not directly taken from taxpayers. Nevertheless, if that is all there is to it, those still at work will be no better off at the end of the day.

Another argument is that conventional tax and social security contributions, which are only very loosely related to the size of the eventual pension, *act as work disincentives* or additions to labour costs. Voluntary private contributions, which are actuarially *related* to pensions, are more likely to be regarded as part of the worker's effective pay. This is more fundamental as a shift to actuarial contributions might increase national income both now and later.

But the most intriguing arguments relate to macroeconomic effects. If compulsory pay-as-you-go contributions discourage saving by reducing the need for it, funded schemes should by the same token boost savings (assuming some real income growth so that more is paid in than paid out each year).

The effects on investment are more contentious. With global financial markets, *investment in any one country* is limited not by savings but by the number of projects with adequate expected returns. A sudden increase in savings would not increase the supply of profitable projects. Indeed, badly handled, it could – as Keynes rightly argued – lead to a slump. The best way of avoiding this is to invest the extra savings abroad – which might require a lower *real* exchange rate to generate the current balance of payments surplus which would then be necessary.

If, *however, most* industrial countries raise their savings at the same time, the *analysis needs to be* changed. There would still, however, be escape routes from recession. World real interest rates might fall, thus pushing more investment projects *above the profitability thresholds*. In addition there could be more investment in emerging economies where there is a greater backlog of profitable projects.

Taking together the investment, work incentive and property rights arguments, the shift to privately funded schemes is worth making – although with care not to push people into unsuitable schemes *as has happened in the UK*. But this is an area where the analysis matters as much as the conclusions; and it is misguided to move directly from the micro level of personal or *corporate finance* to the macro and international levels.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Law favours Canada in fish dispute

From Professor Philippe Sands.

Sir, The dispute between Canada and the European Union ("EU freezes links with Canada over seizure of trawler", March 14) raises *familiar* issues for international law. As long ago as 1893 an arbitration tribunal rejected the extraterritorial application of national conservation laws, ruling that "the United States has not any right of protection or property in the fur seals found outside the ordinary 3 *mile limit*" (ie, on the high seas; Moore, International Arbitration History, Vol.1, p.945). The award followed the seizure by the US in 1886 and 1889 of British Columbian vessels fur sealing on the high seas, and led to the adoption of one of the earliest sets of regu*lations to limit sealing on the* high seas.

More than a century later the issues remain the same, save that the international community is now aware of the catastrophic effects of over-fishing and the limited enforceability and effectiveness of existing international regulations. International law has indeed moved on, and there are now in place principles of environmental protection and conservation which could be invoked to support Canada's actions to take extraterritorial measures in what appear to be special circumstances.

These principles were alluded to when the international court of justice stated in the 1914 fisheries jurisdiction case (UK v Iceland) that "the former laisser faire treatment of the living resources of the sea in the high seas has been replaced by a recognition of a duty to have regard to the rights of other states and the needs of conservation for the benefit of all" (1974, ICJ Reports, p.3, para 72). *Similar* considerations are reflected in the 1992 Biodiversity Convention (Articles 3, 4 and 8). The EU would do well to consider carefully its legal arguments in view of positions it may adopt in other international forums.

Philippe J. Sands,
visiting professor,
New York University,
40 Washington Square.

Financial demands least of new World Bank chief's problems

From Mr Frank Vogl.

Sir, It is odd that President Clinton should have turned to Wall Street to find the next president for the World Bank ("Clinton seeks approval for new World Bank president, *March 13). James Wolfensohn* may be an inspired choice, even though financial management is the least of the institution's problems. The bank's finances are sound and its treasury staff is excellent.

The gravest of the bank's problems concerns its anti-*poverty agenda. Recent* bank leaders have cluttered its focus with all manner of new initiatives (including all manner of private sector projects for which the bank has no comparative advantage). Morale among the very able staff has been depressed by the failure *of management* to *clarify goals.* External criticism has mounted. Wolfensohn needs to act fast to confront these challenges.

As he starts his new job he needs to be constantly aware that more than 1bn people live in abject *poverty* in *countries* receiving declining bilateral aid flows, and obtaining marginal assistance from regional development banks and United Nations agencies. The World Bank stands alone as a forceful institution able to mobilise experts and cash to confront *this nightmare.*

The immediate years ahead will see the rapid growth of middle classes in many emerging economies, the dawn of a new industrial revolution in much of Asia and Latin America and a formidable rise in average third world incomes. These developments must be set against the realities that this boom will aggravate environmental problems, perhaps strengthen opportunities for corruption, while it will also coincide with significant population increases. The number of absolute poor on the planet will increase. these realities need to drive the World Bank's work.

The challenges are large and to confront them Mr Wolfensohn must demonstrate intellectual and managerial skills, alongside the political talent to secure strong external backing for the institutions' vital humanitarian mission. President Clinton evidently believes that Mr Wolfensohn enjoys these skills. let us hope so.

Frank Vogl,
1100 New Hampshire Ave N.W.
Washington D.C. 20037, US

Education argument ignores reality

From Mr David Blunkett MP.

Sir, I was entertained by Michael Prowse's deliberately provocative article ("Time to separate school and state", March 13).

The interesting point about the so-called new right is that it is not very new at all. Leaving education to sink in a market economy is of course exactly what happened in the UK before communities came together to educate their children. Their vision of education as the seedcorn for future economic and social survival led them to join together and set up schools and school boards to ensure that children were literate, numerate and reasonably civilised in their behaviour towards one another.

Articles like this fail to look around them. There are already private providers of education. In the post-16 world they are called training providers. Training and enterprise councils (which are also privatised) pay large sums of public money to provide low-level and often inadequate training with little accountability.

Parents already "shoulder" the burden of their own children's education. They pay through taxation – the less well-off actually pay a higher proportion of their overall income. Those who are maligned for "not paying" for their children's education in fact invest most heavily in the education of the better-off. Those who fast-track their way into higher education find their university fees paid for – the most expensive part of our system.

Finally it is worth reminding those in the fantasy world of the far right that it was Margaret Thatcher [the former prime minister] who introduced the national curriculum (*though* not for private education). It was she who was responsible for the state taking even greater control of the way in which our education system operates.

David Blunkett,
shadow education secretary,
House of Commons,
London SW1A 0AA, UK

More irresponsible than offensive

From Mrs J. Moorhouse.

Sir, The latter half of Michael Thompson-Noel's column ("A daily dose of pick and mix news", March 13) makes entirely the wrong point in condemning the UK's Advertising Standards Authority for prudishness with regard to the Club 18-30 poster adverts.

I am as broad-minded as any, but find the adverts not so much offensive as very irresponsible. You would think that in an age with at least one sexually transmitted disease which kills and several others for which there is no cure and which lead to long-term illness that the ASA should be applauded for curbing this thoughtless advertising.

I have never travelled with Club 18-30 and so am unable to confirm or deny its boast. I would have thought that it should be ashamed of its image, and should not be parading it for everyone to see.

Mrs J. Moorhouse,
Priory Lodge,
Priory Park,
Blackheath.

FINANCIAL TIMES

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Squabble over the turbot

For students of international relations, the escalating conflict between Canada and Spain was bewildering. Theirs, after all, has hardly been one of the world's better-known geopolitical rivalries. Yet those who have observed the persistent failure to avert a global fishing crisis have found it quite predictable. Common sense seems to have prevailed this time. But a comprehensive solution is urgently required.

A report published last week by the United Nations' Food and Agriculture Organisation found that 70 per cent of the world's fish stocks are now either fully exploited, over-fished or badly depleted. The authors pressed the case, once again, for international action to manage fish supplies to avoid a collapse.

By and large, the international community has done little but wring its hands over such figures. The problem is that too many fishermen are chasing ever fewer fish. But governments fear the political costs of any comprehensive solution. The dispute over the Canadian seizure of a Spanish fishing vessel off Newfoundland ought to make them think again.

Conflicts spill over

The quarrel does not merely confirm that falling numbers of fish spell ever more disputes over who shall catch them. It shows, too, that such conflicts are likely to spill over into the broader international arena. At the extreme, Canada's initial refusal to release the *Estai*, and Spain's determination to force its case meant an escalating conflict between two NATO allies. The dispute has also played into the hands of anti-Europeans in the UK, who see it as yet another example of the UK's being forced by its membership of the European Union to forsake its historic ties.

The European Commission argued that support for Spain was more than just a matter of European loyalty. Canada acted illegally in commandeering the ship, which was fishing outside the Canadian 200-mile exclusion zone. Whether or not the Spanish ship was transgressing Canadian fishing restrictions, argued the Europeans, Canadians have no right to enforce those laws in international waters.

Spain insisted that it was under no obligation to negotiate with the Canadians until they released the ship. Legally, the Spanish had the upper hand. Morally, however, the Canadian case – that adhering to the law would mean accepting the extinction of the local Greenland halibut, or turbot, population – is a powerful one. Although this can hardly justify Canada's unilateral action, the background to the dispnte demonstrates the woeful inadequacy of the present machinery for preventing over-fishing in international waters.

Unfavourable allocation

Last autumn the 15 members of the Northwest Atlantic Fisheries Organisation agreed to regulate the fishing of Greenland halibut because the stock had been badly depleted. The quota was set at 27,000 tons, less than half last year's total catch. Yet rather than agreeing the allocation of the quota by consensus, as is the usual practice, Canada and several other non-European countries contrived to impose an unfavourable allocation upon the Europeans by means of a vote. Since the Europeans disputed the outcome, there was no international regulation to limit the behaviour of Spanish, Portuguese and other ships fishing in the region.

The fact that Canada had tried to garner such a large proportion of the quota – some 70 per cent, against 12 per cent for the Europeans – somewhat tarnishes the country's claim that it had to intervene to save the fish from impending extinction. What is clear, however, is that the fisheries organisation is not up to the job.

Canada was right to release the Estai yesterday. But, having assumed the high ground in arguing for adherence to the "rule of law", the Europeans ought now to work to make those rules far more consistent with the preservation of world fish supplies. A United Nations conference in New York later this month will attempt, once again, to impose binding international agreements on fishing in international waters. The EU, along with Japan, has traditionally opposed anything but voluntary measures. The battla in Newfoundland would not have been in vain if it were to prompt the Europeans to accept something far tougher.

Disappointing Indian budget

Yesterday's Indian bndget provides clear evidence of the extent to which the Congress (I) party has been rattled by its dismal performance in recent state elections. The focus of Mr Manmohan Singh, the finance minister, was unashamedly populist, with heavy emphasis on support for the rural poor. Bold new steps on economic reform were lacking. The minister was not explicit, but his presentation left no doubt that the main priority for Congress now is to win back support ahead of next year's general election.

There has always been a need to balance economic reform with help for the poorest voters, who are slow to feel its benefits. Whether this budget succeeds in doing so depends mainly on how effectively the promised social support measures are implemented. India'a record at completing rural infrastructure and housing projects is poor, although the looming elections may lend an unusual sense of urgency. Even so, the price of winning renewed popularity for the ruling party could prove considerable. Much momentum has been lost in fiscal adjustment and economic reform.

Only on Tuesday the Finance Ministry warned that the cost of fiscal populism can be "extraordinarily high and long-lasting". Now it must present a forecast deficit of 5.5 per cent of GDP, which may itself be over-optimistic, as prudent. There is a degree of complacency here, born perhaps both out of the strength of foreign exchange reserves and the buoyancy of fiscal revenues. The one makes it too easy to forget the crisis that forced the launch of reforms back in 1991; the other reinforces the faith of politicians in their seemingly magic powers to conjure up revenues, by simplifying the tax structure and improving collection procedures.

Less healthy picture

The underlying picture is far less healthy. Total spending is projected to rise just 13.5 per cent next year from the present year's original target. Unfortunately, the bulk of the increase is on current spending, while there is to be a real cut in capital outlays. Moreover, a large part of the increase in rural spending has been placed off-budget. The banking system will be directed to provide compulsory credits to state governments and corporations. Industry rightly fears its own investment needs may be crowded out.

The relaxed attitude to the deficit is all the more disturbing when inflation is running at over 11 per cent. The Finance Ministry hopes cuts in excise duties announced yesterday may be sufficient to dampen price rises. But this cannot be more than a palliative measure. Sooner or later, the government will have to deal with its own propensity to consume. Otherwise, the rapid industrial growth that has been shoring up revenues may evaporate. But it may prove difficult to return to the course of orthodoxy even after the elections are over.

Commitment to reform

Admittedly, the budget does show some continuing commitment to reform. There is a welcome further reduction in tariffs, with the peak rate cut to 50 per cent from 65 per cent. Lower duties on a range of products, from chemicals to printed circuit boards and car components, will reduce industry's costs. But the budget carefully skirted round the more contentious issues. The treatment of the insurance sector was a particularly damp squib. Having promised in last year's budget to make a statement on liberalisation, all Mr Singh managed yesterday was to announce legislation setting up an independent regulatory authority.

More radical reforms such as the liberalisation of imports of consumer goods and reform of labour legislation received no mention at all. Virtually nothing was said about privatisation or the need for increased efficiency in public sector enterprises. Only passing reference was made to the case for rational pricing in the electricity sector, if private capital is to increase generating capacity.

All this is unsurprising, given the electoral pressures. But these issues will have to be addressed if there is to be sufficient investment to give India the 7 per cent to 8 per cent rate of growth to which Mr Singh rightly aspires. India will now have to wait until after next year's elections for a government prepared to do what is needed.

Car factories in the UK are gradually catching up with international rivals, say **Kevin Done** and **John Griffiths**

Quantity, but not enough quality

At the start of the 1990s the UK was languishing in fifth place among car producers in Europe. In 1993, it started to make more cars than Italy, and it should overtake Spain in 1997 to capture third place behind Germany and France.

Britain has been slower to improve productivity than some of its competitors. But the lowest motor industry labour costs in the developed world and a devalued currency will help it become the fastest growing west European car producer in the second half of the 1990s.

The ravages of mismanagement in previous decades have left control of the motor industry in Britain almost exclusively in foreign hands. Its destiny is now directed from boardrooms in Munich, Detroit and Tokyo, but a spate of investment decisions – some announced, some imminent – show that the world's leading carmakers are increasingly confident about the UK as a production base in Europe.

Toyota, the leading Japanese carmaker, is to announce today that it will start production of a second car range in the UK in 1997-98, doubling capacity to abont 200,000 cars a year.

Ford of the US, the world's second-largest vehicle makar, announced yesterday that it had chosen its UK plant at Dagenham, east London, to produce up to 25,000 cars a year for Mazda, its Japanese affiliate.

Ford is also approaching a crucial decision on Jaguar, its luxury car subsidiary. If a UK state aid package of between £70m and £80m for Jaguar passes scrutiny in Brussels, Ford is expected to approve in the early summer a £500m programme aimed at creating a world-class luxury car manufacturing centre in the UK. It will add a third prodnct range – a smaller sports saloon – which would double the existing Jaguar business to an output of more than 100,000 cars a year by the end of the decade.

Expansion in Britain is also being planned by Rover, the leading UK carmaker which was taken over by BMW of Germany a year ago, by General Motors of the US, and by Honda of Japan.

But UK factories and workers, in spite of the foreign investment and painful rationalisation of recent years, are still less productive than many of their European competitors, especially in the components industry.

A recent world manufacturing competitiveness study* by Andersen Consulting and the UK's Cardiff Business School and Cambridge University concluded that UK automotive suppliers did not meet world-class standards of performance. It showed that:

- UK productivity is among the worst in Europe.
- UK quality is the second lowest of the nine countries covered by the study.
- In spite of some of tha lowest labour costs in Europe, the UK's low productivity means that unit labour costs are exceeded only by those of Germany.
- Low production volumes coupled with the presence of many different carmakers create a fragmented industry.
- In spite of the adoption of many Japanese techniques the productivity gap between tha UK and Japan is widening.

The study investigated tha manufacturing performance and management practices of 71 components plants, 14 in the US and Canada, 12 in the UK, 11 in France, nine each in Japan and Germany, eight in Italy and four each in Spain and Mexico.

Of the 13 plants found to be "world class" in terms of productivity and quality, five were in Japan, three in the US, three in France and two in Spain. Typical UK plants, the study concluded, would need to double output with the same labour force to achieve "world-class" productivity. It acknowledged that UK suppliers had made considerable progress since a benchmarking exercise two years earlier, but warned that Japanese companies in particular were continuing to improve productivity and quality at a faster rate.

This gloomy assessment appears to contradict the positive picture of UK suppliers generally painted in public by managers of the Japanese assembly plants which have played such a big role in the expansion of UK car output.

Professor Daniel Jones of Cardiff Business School, one of the study's authors, has even warned that unless UK suppliers improve, Toyota, Honda and Nissan might have to bring in their own suppliers from Japan to replace UK component makers.

However, Mr Ian Gibson, chief executive of Nissan Motor Manufacturing (UK), rejects the view as excessively alarmist. He says that the Andersen study does not convey the wide variations in performance to be found within the UK components sector.

Nissan has more than 120 UK-based suppliers. Of these, only about 15 to 20 are likely to lose the company's business when the Nissan Primera model is replaced in less than two years' time. "Fears that we will bring in a wave of Japanese component makers are entirely groundless," he says.

Today's announcement by Toyota of its planned expansion also suggests that fears for the future of the UK motor industry are misplaced.

While the Japanese carmakers are playing a vital role in the revival of UK output, the long-established producers in the UK have also made progress in closing the gap in productivity and quality between their UK and continental European plants.

Mr Charles Golden, chairman of Vauxhall, the UK subsidiary of General Motors, says GM's British "plants are very competitive with other plants in Europe."

The US vehicle maker is gradually reversing its earlier retrenchment of manufacturing in Britain. GM has been encouraged by various improvements, including a jump in productivity at its Luton plant from 24.8 cars per employee in 1988 to a forecast 52.2 cars per employee this year. The plant has reduced significantly the hours needed to assemble a car from about 37 hours per car in 1990 to under 26 hours last year with a target to come under 17 hours by the end of the decade.

At least as significant is Ford's decision to produce cars for Mazda, its Japanese affiliate, at Dagenham. The plant was previously a byword in the British motor industry for troubled industrial relations and poor workmanship.

Five years ago an internal Ford report claimed that "by the late 1980s Dagenham had become unreliable and at times almost out of control. Continued labour disruption, poor quality, and adverse cost performance were the product of an operation that required dramatic change if it was to survive in the 1990s."

Apperently that change has occurred. Yesterday Mr Ian McAllister, chairman of Ford of Britain, said that Dagenham had "proved it can achieve high levels of quality and productivity, and this agreement with Mazda recognises the plant's competitiveness".

Rover Group, formerly British Leyland, is also contributing to the UK revival, having finally found an apparently safe home with BMW. Rover's planned investment during the next five years is expected to reach nearly £2bn, an increase of about £700m on its previous five-year plan under the ownership of British Aerospace.

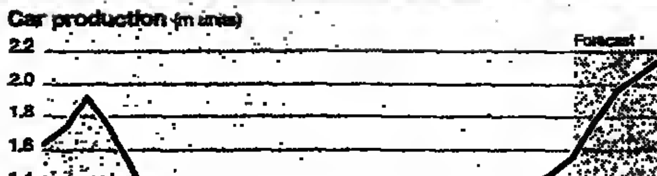
Output, which totalled 480,000 vehicles last year, could expand to 750,000 a year by the end of the decade, according to Mr John Towers, Rover chief executive, "and even this could be regarded as being prudent abont future volumes", he said yesterday.

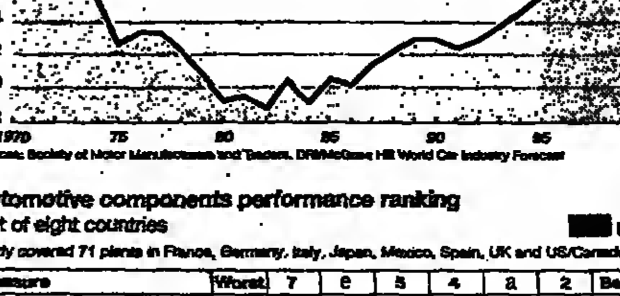
Once the sick man of the European motor industry, Britain has seen the fortunes of its carmakers transformed. Car production is forecast by DRI Europe, the UK-based automotive analysts, to rise nearly 50 per cent from 1.47m last year to about 2.2m in 2000.

The UK is back in the race, but the industry's recent history shows that there is hardly room for complacency. The Andersen study says: "As best practice is continually evolving companies should recognise that performance improvement is a journey without end."

**World Manufacturing Competitiveness Study, Andersen Consulting, 2 Arundel Street, London, WC2R 3LT*

UK motor industry: bouncing back





Sources: Society of Motor Manufacturers and Traders, DRI/McGraw Hill World Car Industry Forecast

Automotive components performance ranking

Out of eight countries

■ UK

Study covered 71 plants in France, Germany, Italy, Japan, Mexico, Spain, UK and US/Canada

Measure	Worst	7	6	5	4	3	2	Best
Productivity		■						
Quality		■						
Labour cost per hour						■		
Indexed labour cost per unit		■						

Source: Andersen Consulting

World motor industry

	Labour costs 1994 (DM per hour)	Annual working hours 1993
W Germany	57.86	1,399
France	29.49	1,609
Italy	27.40	1,315
Netherlands	32.22	1,576
Belgium	37.93	1,582
UK	25.72	1,814
Sweden	39.27	1,448
US	39.55	2,128
Japan	43.47	1,959
Spain	26.62	1,570

Source: German Motor Industry Federation (VDA)

Insidious threat to EU's future

PERSONAL VIEW

The number of member states in the European Union may virtually double to 27 by the year 2000. This is forcing a rethink of EU policies and institutions. The inter-governmental conference (IGC) in 1996 will be the moment when hard decisions have to be made.

Even with 15 members, the EU is not working satisfactorily: it is too remote from ordinary Europeans; it is not pulling its weight in the fight against unemployment and poverty; it is not capable of preventing wars from breaking out on the continent; and it is not sufficiently democratic or transparent, with the result that its objectives are incomprehensible to its citizens.

When the EU has nearly twice as many member states as it has today, there is a danger that paralysis, inertia and chronic indifference will set in.

Faced with this prospect, there are two possible reactions.

The first would be to continue to enlarge the EU without reforming it, or to adopt merely superficial reforms. Advocates of this course of action play down the risks by pointing out that enlargement will not take place until 2000.

But that is only five years away. And the functioning of the EU is already a source of concern with only 15 member states. Each new accession without meaningful reform will aggravate these difficulties.

In short, this attitude would lead directly to a "soft Europe", which would be no more than a large free trade area in which common policies would be phased out. It would mean that Europe would have abandoned for good any intention of becoming a world power capable of defending its political and economic interests and preserving its own pattern of civilisation.

The second possible reaction is to try to cope with enlargement by instigating genuine reforms that would clarify the EU's objectives and strengthen its institutions. An enlarged EU will be able to function in a transparent, effective and democratic way only if it does this.

This means agreeing common policies which give priority to addressing Europeans' main concerns. These would include action to combat unemployment and poverty, to secure peace and to protect human rights. In these fields the EU cannot and indeed is not required to do everything. Member states must assume their responsibilities. But the EU has much to contribute.

With regard to strengthening its institutions, the EU needs to determine precisely how tasks are apportioned between it and member states. It also needs to remove the risk of paralysis by introducing majority voting for all decisions. In an enlarged EU, policies requiring unanimity are doomed to stagnate.

The EU needs to remove the risk of paralysis by using majority voting for all decisions

Furthermore, the European parliament and national parliaments must exercise better control over their respective executives. The roles of the European parliament and national parliaments should be complementary, not competitive. This can be achieved if everyone applies the principle of subsidiarity.

The moment of truth will come at the IGC next year. This is where it will become clear which countries want genuine reform that enables the EU to be enlarged but not weakened and which are in favour of a *laisser faire* attitude that would reduce it to a large free trade zone.

If the 1996 conference fails, or if it produces merely cosmetic reforms, there will be only two possible courses of action for those who do not accept that enlargement should weaken the Union:

- Either they could postpone enlargement and arrange a new inter-governmental conference. But that would amount to an admission of the EU's impotence.
- Or they could ask all countries in favour of meaningful reform to move forward together. Those unwilling to subscribe to such plans would marginalise themselves.

Enlargement is a historical necessity: nobody imagines that the EU can maintain its economic prosperity and at the same time relinquish a political role embracing the entire continent.

But enlargement must not be allowed to weaken the EU. The greatest danger for the EU today is that it will get bogged down. The risk of this happening is considerable. But the threat it poses is insidious and consequently harder to counter than the open threat to the EU's future posed by the disputes of the mid-1980s.

At least those conflicts had the merit of revealing clearly what the opposing positions were. Today, it is the threat of sliding into a general anaesthesia that has to be averted. The European parliament must say loud and clear that in 1996 it will set its face against the euthanasia of the EU.

Elisabeth Guigou

The author, a former French minister of European affairs, will represent the European parliament at the IGC in 1996

OBSERVER

Bouncing off the chicane

■ What on earth is happening to Her Majesty's bankers? First Barings loses a bundle in the Far East and has to be bailed out by a Dutch financial services group. Now the frock-coated gents at the 303-year-old Coutts & Co have been taken to court by Nigel Mansell, the former world motor racing champion.

Mansell, said to be worth £29m by The Sunday Times, has clearly had less luck with his investments than his motors.

When he quit the Grand Prix circuit two years ago and moved to Florida, he sold his Isle of Man mansion for less than half the original asking price. Having now returned to Britain, he has had to cut the $15m price of his 66-room Florida beach property.

His other investments don't seem to have been doing very well either. According to the St Petersburg Times, Mansell has sued Coutts for the $600,000 he lost because of the bank's allegedly bad investment advice.

Apparently, be bought over $7m of foreign securities and other holdings from Coutts and now claims that the transactions were improper because Coutts was not registered to sell the securities in Florida. Coutts confirms that its New York branch has been sued but refuses to discuss Mansell's claim.

Hard to believe that Mansell would be on the books of a posh outfit like Coutts in the first place. But times are changing. Frock-coats are no longer *de rigueur* in all parts of the organisation and NatWest, Coutts' long-suffering owner, has sent in the clearing bankers to see if they can make a better job of running the place.

NatWest's dream is to develop Coutts into a global private bank. The risk is that it will damage Coutts' brand name by taking it down market, attracting the wrong sort of customers.

Could it be time for the Queen to put the Royal family's bank account out to tender?

Bass instinct

■ The decline of western civilisation seems to have just cost Yale University $20m. It received that sum in 1991 from Lee Bass, one of the billionaire Bass brothers of Texas, to set up Western Civilisation courses.

The university then got entangled in internal rows over multiculturalism, elitism and the irrelevance of dead white Europeans. Four years on, no courses have emerged, and an exasperated Lee Bass is taking his money back.

While Yale's attitude is being portrayed in some circles as political correctness run mad, the reality may be more complex.

The debate over multiculturalism in the US is an established political fact. Yale already has 100-odd courses on various aspects of western culture, and for Bass to specify more of the same was arguably a political act in itself.

So was the manner in which the latest news became known. The announcement formed the main leader in the Wall Street Journal, whose rightwing editorials are famously divorced from its more centrist news pages.

Bass also seems to have been rather astute in claiming his money back. He stipulated that he should have the right to approve the professors who would teach the courses.

As he must have expected, this restriction on academic freedom was the final blow to a project which had been controversial from the outset.

Towering ambition

■ Remember the time when New York's Donald Trump wanted to build the biggest skyscraper in the world? Well, he has been trumped by Iraq's Saddam Hussein who has erected what he claims is the tallest building in the Middle East.

The 70-storey skyscraper – called Saddam Tower (what else?) – is 666 feet high and took 5,915 cubic metres of reinforced concrete and 688 tonnes of steel to build.

It's being spoken of in Iraq as a new version of the tower of Babel. In the Bible, the Babylonian builders of the original Tower of Babel intended it to reach the heavens.

So too, Saddam Tower – whose prime function is as a communications centre – was intended to be much higher, at 1,148 feet, but the embargo against Iraq has curtailed that vaulting ambition.

As for the figure 666; it's the mark of the great beast, according to the book of Revelations.

Sounds about right.

Canned

■ There but for the grace of God ... Having only recently got the job, Peter Sullivan, editor of the Johannesburg daily newspaper The Star, might be wishing he was still a humble hack after yesterday's fiasco.

For Sullivan fled, under police protection, hordes of angry readers who were up in arms about a Star competition.

They all thought they had won, but Sullivan had the unpleasant task of telling them they hadn't – their winning numbers were the result of a printing error.

The enraged 'winners' refused to accept his explanation – and demanded lucre. Or maybe his head.

Given the paper is part of media magnate Tony O'Reilly's concerns, perhaps Sullivan could organise some tins of baked beans, by way of compensation.

The Financial Times

100 years ago

Railroad's fresh start

The stockholders of the Central Pacific Railroad are to be congratulated on their good luck in making a hopeful fresh start at a time when all the other American lines appear to be going from bad to worse. While turning a blind eye to the most uncharitable views of how and why the Central Pacific has been manipulated to its present sorry condition, Sir Charles Rivers Wilson gave a very clear hint to the stockholders. "You must take care to obtain the very best terms you can, and not allow yourselves any longer to be at the mercy of other people."

50 years ago

Free enterprise upheld

"Control for control's sake is senseless; at the head of our mainmast we will fly the flag of free enterprise." This statement was made by the Prime Minister in addressing the Conservative Party annual conference in London. On controls Mr Churchill said: "If we are to recover from the measureless exertions of war, it can only be by a large release from the necessary bonds and controls which war conditions have imposed upon us."

FINANCIAL TIMES
Thursday March 16 1995

Italian government hangs on confidence motion over mini-budget

Vote today will settle Dini's fate

By Robert Graham in Rome

The future of the two-month-old Italian government of Mr Lamberto Dini hangs on the outcome of a parliamentary confidence motion today on a L20,000bn ($11.9bn) mini-budget intended to bolster the country's economy.

At best, the government will survive hy the narrowest of margins in the 630 seat chamber of deputies, and uncertainty about its fate pushed a weak lira once again below L1,200 to the D-Mark.

The budget, relying heavily on increases in petrol tax and VAT, is intended to hold the 1995 deficit to the original target of 8 per cent of GDP.

If defeated, Mr Dini, former director-general of the Bank of Italy, will be obliged to resign. President Oscar Luigi Scalfaro would then be under enormous pressure to call for early general elections. He has resisted such a move since Mr Silvio Berlusconi's rightwing coalition was forced out of office hy a confidence vote last December.

Unless there is a last minute change of strategy, Mr Berlusconi and his rightwing allies will vote against the financial package in order to force general elections by June. A "no" vote will also come from some members of Reconstructed Communism, formed from the hardline of the defunct Italian Communist party.

The future of the government, the first in the postwar era formed of non-parliamentarians, hangs on how many of the 39 deputies from Reconstructed Communism break party discipline and back Mr Dini. At least 16 are committed to do so, but this number may be insufficient.

The prime minister was obliged to call a confidence vote to prevent more than 150 parliamentary amendments from undermining the bndget. The additional cost of such amendments, if approved, would be between L8,000bn and L10,000bn, he said yesterday.

Late on Tuesday, the government lost two amendments on issues including cuts in the intelligence services budget and reducing aid to agriculture by 313 to 314 votes. This prompted Mr Dini to argue that voting for the budget was "voting for the country not the government".

The confidence motion applies to the entire package and makes no concessions to any amendments tabled in the lower house. In making the announcement, Mr Dini commented bitterly: "This appeal was not heeded – much to the government's regret."

He added: "The mini-budget, correcting the original 1995 bodget, is one of this government's priorities which cannot give up... its approval is essential to improve Italy's public finances and regain credibility in the international financial markets."

Without the correction Italy's budget deficit would slip back from 8 per cent of GDP to 10 per cent.

Chinese investment chief quits

Continued from Page 1

one of China's most prominent businessmen. Apart from his Citic post he is president of Poly Technologies, an arms trading company controlled by the People's Liberation Army. Mr Wang is the eldest son of the late vice-president Wang Zhen, a leading hardliner until his death in 1993.

Approval from the State Council, or cabinet, is required for the appointment, and Citic was unsure when the new chairman would be announced.

A foreign banker in Beijing said changes at the top of Citic would be welcomed by the international banking community as a sign that the leaders of Chinese institutions wonld be beld "accountable" for serious errors in their organisations.

The former manager of the Shanghai branch of Citic and several of his assistants have been arrested over the LME trading fiasco. Citic is repaying western creditors for the losses sustained.

Citic's operations have grown strongly since the corporation was set up in 1979 to encourage foreign investment in China. Domestic activities span banking, property development, trading and manufacturing. Overseas, it is involved in mining and smelting ventures in Australia through a local subsidiary and in Hong Kong it has a wide range of activities through the listed Citic Pacific. The Hong Kong offshoot is engaged in aviation, property, telecommunications, the power sector and finance.

Citic has also invested in North America. Among its purchases is a pulp and paper mill in Canada and steel mill in the US. It encountered teething troubles at both enterprises.

The group is China's largest overseas investor. It accounts for abont 20 per cent of Chinese investments abroad. It has also been one of the most active Chinese borrowers on international markets.

Sutherland to stay at WTO as successor debate goes on

By Frances Williams in Geneva

The world's trade ambassadors, unable to agree on who should lead the World Trade Organisation, yesterday begged Mr Peter Sutherland, the interim chief, to stay for six more weeks.

Just hours before he was to leave the post, Mr Sutherland said he had agreed "to a final extension" of his term to April 30. He said that he would stay on because he was concerned that "the organisation's public credibility shoold not suffer".

Trade envoys meeting in Geneva agreed to give themselves another 10 days to decide who should become the WTO's director-general. Diplomats said yesterday it looked likely that Mr Renato Ruggiero, the European Union candidate, would secure the necessary consensus among WTO members, even though the US position remains unclear.

Mr Ruggiero has picked up considerable support from Latin American nations, notably Brazil, which previously backed Mr Carlos Salinas, the former Mexican president. Mr Salinas withdrew two weeks ago after his brother Raul was arrested for alleged involvement in a political murder, leaving Mr Ruggiero and Mr Kim Chul-su of South Korea the only official candidates.

Mr K. Kesavapany, Singapore's WTO ambassador, who is conducting the leadership consultations, told yesterday's meeting that there was now "a pronounced trend in favour of the leading candidate". A number of countries also had "flexibility in contributing to an emerging consensus", he said, meaning they would go along with the majority preference.

Consultations last month, when there were still three candidates, showed Mr Ruggiero, a former Italian trade minister, well in the lead with 57 votes, Mr Kim with 29 and Mr Salinas with 28.

The EU held out to the last possible moment against extending Mr Sutherland's term in an attempt to force the US to make up its mind on the leadership issue. Washington has been dithering since Mr Salinas, its preferred choice, departed the scene.

The US administration has made clear its dissatisfaction with both Mr Ruggiero and Mr Kim but has failed to come up with another candidate who could command a consensus.

There were signs yesterday that the US could be preparing to accept Mr Ruggiero on certain conditions. "We are inching towards consensus," Mr Booth Gardner, the US WTO ambassador, said.

Trade officials said conditions might include a three rather than four-year term for Mr Ruggiero, who is 65, and an understanding that the next WTO bead would not be a European.

Alcatel chief Suard protests his innocence after work ban

By Andrew Jack in Paris

Mr Pierre Suard, chairman of Alcatel Alsthom, the French industrial group, yesterday launched a strong personal defence and attacked the French judicial process in his first public comments since being barred by a magistrate from working for the company.

In an interview with three journalists on prime-time evening television, the normally reserved Mr Suard protested his innocence to a series of charges for which he has been under investigation since July last year.

He repeated the suggestion circulating in the last few days that he believed Alcatel was subject to a "destabilisation campaign", possibly by a competitor, although he said he was "not able to respond" when asked by whom.

"Enough is enough," he said, when asked why he had decided to go public, following the magistrate's order on Friday. "We have been the object of a campaign for two years. I am innocent, my group is innocent. Nothing has been proved."

Asked about allegations that Alcatel paid for renovations and the installation of a security alarm at his bome, he said that he had paid for the work himself. He said the evidence was in a report condncted hy a legal expert which he had given to Mr Jean-Marie D'Huy, the examining magistrate on the case.

Equally, he denied any suggestion that France Telecom had been overbilled by Alcatel – another charge for which he is being investigated. He said Alcatel had bid less than its competitors in France and elsewhere in Europe for the contracts.

He expressed concern that aspects of his private life were being examined by Mr D'Huy, including four hours of questioning on Tuesday about his personal assets, which led to reports that he has an income of FFr13m ($2.6m) a year and a share portfolio worth FFr23m.

"What I have earned comes from my working life and 35 years of economy," he said.

He voiced frustration at how the day after he held confidential discussions with the judge, extracts of his comments appeared in the French press.

THE LEX COLUMN

Poor Crédit

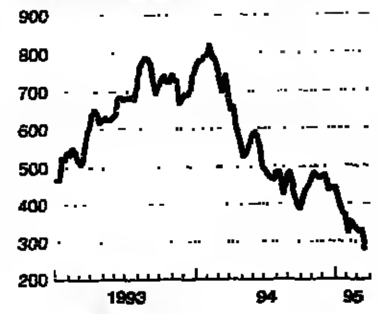
The magnitude of the crisis that has overtaken Europe's largest bank is only now becoming apparent. Mr Edouard Balladur's promise of an investigation to ensure sanctions are taken against those responsible for the Crédit Lyonnais débâcle is welcome. But the hunt for culprits must not divert attention from bow expensive the rescue will be for taxpayers.

The broad outline of the bail-out is already leaked. A new government-backed company is likely to be created into which more than FFr130bn of the bank's mainly non-performing loans will be hived off; at the same time, this new vehicle is set to make subsidised loans to Crédit Lyonnais. In return, the bank is expected to pay a proportion of profits back to the new company. The interest rate to be paid on the subsidised loans and the amount of profits Crédit Lyonnais will have to pay are yet to be revealed. But the scheme should allow financiers to put a value on the bank, increasing the possibility of privatisation.

The solution has a certain elegance. But the government's assurances that the rescue will not cost French taxpayers are disingenuous. True, there would be no direct capital injection. But taxpayers would still have to underwrite the potential losses of the new company; and Thomson, one of the bank's biggest sbareholders, is likely to he rewarded for its support through discounted shares in forthcoming privatisations. There is no such thing as a free bail-out. Exactly how much it will cost will have to wait until the details are announced tomorrow.

Crédit Lyonnais

Certificat d'investissement (FFr)



Source: Datastream

Prudential

The London stock exchange's exoneration of Mr Mick Newmarch from suspected breaches of its rules is an extraordinary exercise in doublespeak. The investigation into last October's option dealings by the Prudential's former chief executive concludes that he complied with exchange rules. Yet the Pru gets its wrists slapped for its procedure in approving his transactions, justifiable though these apparently were. Furthermore, Mr Newmarch and the Pru are both criticised for their actions, in spite of the declaration of Mr Newmarch's innocence.

This extraordinary conclusion does come from fairly exceptional circumstances. It is impossible to gauge whether unpublished information is price sensitive, until the market reacts to it. Mr Newmarch sold shares while aware of a regulatory review on pension mis-selling that might have spelt bad news for life assurance shares, although the Pru's share price actually rose after its publication.

Nonetheless, if Mr Newmarch abided by the exchange's model code for directors' share dealings and yet still deserves criticism, there is clearly something wrong with the code. Directors' behaviour should be whiter than white. In the circumstances, the exchange must consider tightening the rules on directors' dealings. After all, the principle of transparency is vital to confidence in the stock market, and the exchange has merely succeeded in muddying the waters.

Schroders

Those betting on Schroders buying Smith New Court or Cazenove are likely to be disappointed. The clear message of this week's appointment of NatWest Markets' Mr Philip Augar as bead of worldwide securities is that Schroders will build rather than buy an equity business. It is not that buying a stockbroker would be beyond its reach. The merchant bank enjoys a solid balance sheet – which last year's excellent results, in what was a disastrous period for the industry, have further strengthened.

Schroders' thinking is that building is safer than buying. New staff can be more easily integrated. Such an approach also means Schroders can build exactly what it wants rather than acquiring operations that do not fit its strategy. It can, for example, give Germany and Switzerland, whose markets are hard to penetrate, a miss. Schroders will also give the UK a miss, as it thinks it can continue to use independent brokers to distribute securities for its corporate clients.

Given that slow expansion has been the hallmark of Schroders' recent success, it is hard to argue with the strategy. But it would be foolish to deny its risks, especially in the UK. If both Smith New Court and Cazenove are bought, Schroders may no longer be able to access a pipeline down which to shunt its deals. At least, its plans to build up eqnities research in London – to service its corporate financiers and international investors – provide an insurance policy. If the worst comes to the worst, traders and salesmen could be added relatively quickly.

Northern Electric

Northern Electric's board may have been dragged kicking and screaming, but it seems to have come up with a position most of its shareholders can live with. Northern's statement that it will consent to a new offer by Trafalgar House, as soon as regulatory uncertainty has been removed, falls short of initial demands, but appears a reasonable compromise.

The Takeover Panel is right not to waive a rule which prevents hostile bidders from launching a second bid within a year. Trafalgar's argument that by entertaining the prospect of a bid within 12 months Northern has forfeited the right to protection under the rule does not hold water. Waiving the rule would set a dangerous precedent which could allow other predators to use the excuse of unusual circumstances to lay siege to companies. In any case, most shareholders do not want it to be waived.

Some shareholders will maintain pressure on Northern to consent to a bid immediately. Arbitrageurs who bought the shares as high as £10.50 because they thought the original £11-a-share deal was in the bag are keen to sell. They, more than anyone, are aware of the risks and should take the hit on the chin. Most other investors are prepared to take Northern's word that it will consent to a bid as soon as the company's own regulatory position is clarified. But they may start to get impatient.

Investors should not let themselves be blackmailed by Trafalgar's threat to walk away. Neither should they allow the Northern Electric board return to its old complacent ways.

See additional Lex comment on UK deferred tax, Page 24

FT WEATHER GUIDE

Europe today

Blustery showers, some with hail or snow, will reach western Ireland and Scotland. Rain will sweep eastward through England and western France.

Bright conditions with sunny spells are forecast elsewhere in France, while sunny spells will be interspersed with rain in the Low Countries and Germany.

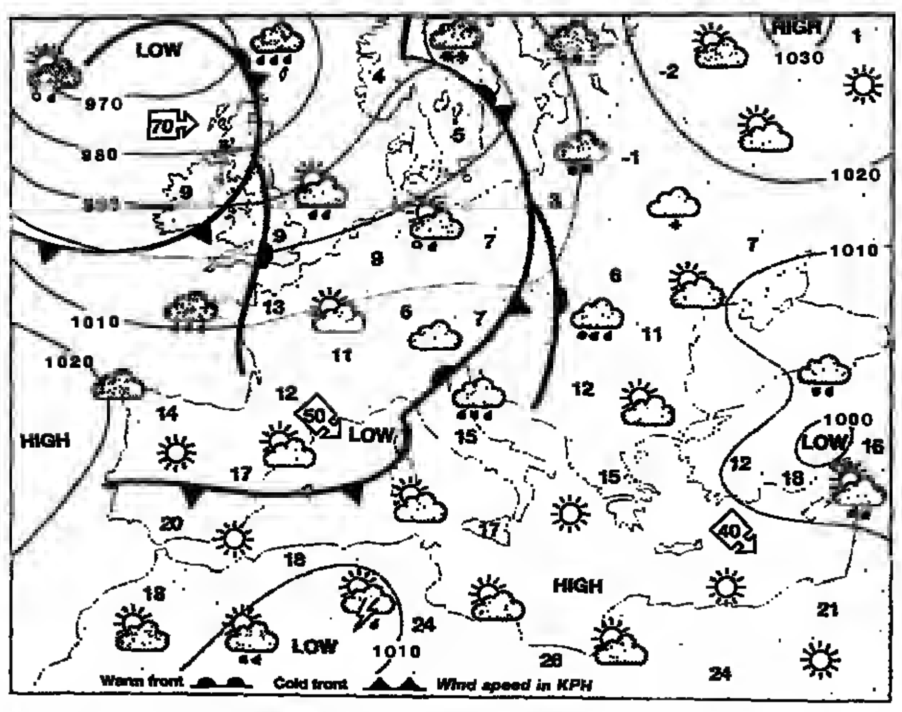
Cloudy conditions will prevail in eastern Europe, with light snow in northern Poland and rain elsewhere.

Sunny skies are forecast over Portugal and Spain as a zone of high pressure arrives from the Atlantic. Italy and the Balkans will be cloudy, while sunshine will prevail in Greece and western Turkey.

Five-day forecast

Conditions will be unsettled in the British Isles, with widespread wintry showers. France and the Alps will have heavy rain, with snow above 1500 meters.

A zone of high pressure will influence conditions in the Mediterranean, bringing sunshine. Cloud will arrive from the west at the weekend. Cloudy skies, with occasional showers, are forecast for the Balkans.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	fair	5	Caracas	fair	29	Faro	sun	20	Madrid	sun	15	Rangoon	sun	36
		Celsius	Belfast	hail	8	Cardiff	cloudy	10	Frankfurt	sun	8	Majorca	sun	16	Reykjavik	windy	1
Abu Dhabi	fair	27	Belgrade	cloudy	13	Casablanca	fair	17	Geneva	fair	9	Malta	sun	18	Rio	fair	28
Accra	fair	34	Berlin	shower	7	Chicago	fair	13	Gibraltar	sun	19	Manchester	cloudy	9	Rome	fair	15
Algiers	shower	17	Bermuda	fair	18	Cologne	fair	8	Glasgow	shower	8	Manila	fair	33	S. Frsco	sun	16
Amsterdam	shower	9	Bogota	fair	21	Dakar	fair	23	Hamburg	shower	7	Melbourne	fair	25	Seoul	shower	11
Athens	sun	15	Bombay	sun	31	Dallas	fair	24	Helsinki	snow	-2	Mexico City	fair	22	Singapore	shower	33
Atlanta	fair	24	Brussels	fair	9	Delhi	cloudy	29	Hong Kong	fair	20	Miami	shower	27	Stockholm	cloudy	4
B. Aires	fair	27	Budapest	rain	5	Dubai	fair	28	Honolulu	sun	25	Milan	fair	14	Strasbourg	fair	10
B.ham	cloudy	10	C.hagen	shower	5	Dublin	fair	9	Istanbul	fair	5	Montreal	rain	4	Sydney	shower	23
Bangkok	fair	35	Cairo	fair	22	Dubrovnik	shower	15	Jakarta	thund	31	Moscow	fair	0	Tangier	fair	18
Barcelona	sun	15	Cape Town	fair	33	Edinburgh	cloudy	8	Jersey	rain	11	Munich	fair	7	Tel Aviv	rain	22
									Karachi	sun	30	Nairobi	cloudy	27	Tokyo	cloudy	18
									Kuwait	fair	27	Naples	fair	16	Toronto	fair	16
									L. Angeles	sun	23	Nassau	fair	27	Vancouver	sun	16
									Las Palmas	fair	20	New York	fair	18	Venice	shower	11
									Lima	sun	29	Nice	sun	15	Vienna	rain	5
									Lisbon	sun	17	Nicosia	shower	17	Warsaw	cloudy	6
									London	rain	11	Oslo	rain	4	Washington	fair	22
									Lux.bourg	shower	7	Paris	cloudy	11	Wellington	fair	18
									Lyon	fair	10	Perth	sun	30	Winnipeg	shower	4
									Madeira	shower	17	Prague	fair	6	Zurich	fair	7

FINANCIAL TIMES

COMPANIES & MARKETS

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Thursday March 16 1995

IN BRIEF

Wal-Mart to open stores in Brazil

Wal-Mart, the US discount retailer, plans to open five stores in Brazil via a joint venture with an initial investment of up to $100m. Mr Bob Martin, president of Wal-Mart International, said that once the company had "proven" itself in Brazil, it would look for more sites. Page 19

Disposals lift Sanofi to FFr1.5bn
Net profits at Sanofi, the drugs and beauty products arm of Elf Aquitaine, the French oil group, rose sharply last year to FFr1.51bn ($300m), from FFr823m, thanks to exceptional gains from disposals. Page 18

Foresty upswing benefits AssiDomän
AssiDomän, the Swedish pulp and paper group, more than doubled 1994 profits to SKr2.07bn ($287m), helped by a strong upswing in the forestry cycle, the weak krona and cost-cutting. Page 19

Fokker to sell aerospace stake
Fokker, the Dutch aircraft maker, plans to sell a 66 per cent stake in its aerospace subsidiary to Ultra Centrifuge Nederland, one of its main suppliers of aerospace parts, and Parcom Ventures, the joint venture arm of ING Group, the Dutch financial services company. Page 18

Lower provisions boost Société Générale
A sharp fall in provisions helped Société Générale, one of France's largest banks, lift net income 6.6 per cent to FFr3.82bn ($761m) in 1994. Page 20

Qantas takes off to A$129m
Qantas, the Australian airline, reported a much-improved profit of A$128.7m (US$99m) after tax for the six months to end-December, from A$71.7m. These are the last results the airline is likely to report before lining up for privatisation clearance in the middle of the year. Page 22

Hong Kong banks win interest rate victory
Hong Kong's decision to postpone further interest rate deregulation was seen as a victory to the colony's banking cartel. Page 22

Reed Elsevier on an acquisition trail
Reed Elsevier, the Anglo-Dutch publishing and information group which bought the Lexis-Negis database in December for £1.1bn, announced a 17 per cent increase in pre-tax profit to £606m ($994m). The group suggested that acquisitions would continue possibly at the rate of £100m a year. Page 24

Murdoch manager out
Mr Gus Fischer, chief operating officer of Mr Rupert Murdoch's News Corporation and chief executive of its UK arm, News International, resigned unexpectedly after six years with the group. He will be succeeded as News International chief executive by Mr Bill O'Neill, an Australian.

Trafalgar threatens to abandon new offer
Northern Electric of the UK has bowed to shareholder pressure and said it would allow Trafalgar House to make a new bid for the company once the industry regulator's review had been completed. Trafalgar, however, said it would walk away if it did not get permission to launch an immediate bid. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Mannesmann	500	+	9.5
Falls			
DLW	368	-	7
Deutsche Babck	163.5	-	6
PWA	252	-	4.5
Rheinelektra	1150	-	35
Rosenthal	203	-	7
NEW YORK ($)			
Rises			
Chiles Tire	10	+	1¼
NGC Corp	11½	+	1½
Falls			
Catalina Mkt	46	-	2¾
GRC Intl	15¼	-	2¼
Owens & Minor	13¾	-	¾
Standard Prod	20½	-	2¼
LONDON (Pence)			
Rises			
Northern Elect	821	+	32
Northern Leis	79	+	5
SEET	65	+	8
Wilson Connolly	145½	+	10½
Falls			
Asprey	58	-	18
Eng China Clays	338	-	21
TORONTO (C$)			
Rises			
Guyanor Res B	2.75	+	0.65
Petersburg Lng	7¾	+	¼
Falls			
Archer Res	5¼	-	¾
Asbestos Corp	7½	-	¼
General Motors	58¾	-	1⅛
Leon Furniture	10	-	¼

PARIS (FFr)			
Rises			
Fonc Lyonnaise	593	+	37
Falls			
BNP	216.7	-	10.3
CCF	197.8	-	8.7
Cred Lyon (CI)	280	-	23
Renault	157.3	-	8.7
UAP	113.5	-	6.5
TOKYO (Yen)			
Rises			
Fuji Electric	448	+	26
Hokuriku Bank	649	+	54
Kawasaki Heavy	367	+	27
Nippon Flour	474	+	36
Yuasa Corp	523	+	38
Falls			
Fudo Constn	885	-	55
HONG KONG (HK$)			
Rises			
Cheung Kong	33.4	+	1.6
Cons Elec Pwr	15.0	+	1.05
Henderson Land	44.9	+	2.0
Swire Pac A	53.5	+	2.25
Sun Hung Kai	53.0	+	2.5
Falls			
Stelux Hldgs	1.84	-	0.11
BANGKOK (Baht)			
Rises			
Amarin Printing	40.0	+	3.5
Siam Pulp	58.5	+	4.5
Falls			
Bangkok Land	35.25	-	3.75
Bangkok Union	54.0	-	4.5
DTC Industries	31.25	-	3.25
MDX Co	43.5	-	3.5

New York and Toronto prices at 12:30.

■ Swiss bank to tighten derivatives controls ■ Trading profits fall by two thirds

SBC income slides by 41% to SFr811m

By Ian Rodger in Basle

Swiss Bank Corporation's net income tumbled 41 per cent to SFr811m ($687m) in 1994, mainly because of a two thirds plunge in its profits from trading.

The result was especially disappointing because SBC, the third largest Swiss bank, has invested heavily in the past three years in building up its expertise in sophisticated trading instruments, including derivatives.

Mr Marcel Ospel, director of the international and finance division, that like other banks active in this volatile field, SBC had to tighten its controls. He said it was moving towards a clear separation of market making and proprietary trading functions and had reduced total risk limits by 44 per cent in the past year. Mr Ospel added: "We are imposing tighter controls over our risk-taking activities, so that limits are carefully observed and potential losses are controlled without constraining our ability to do business."

SBC's 1994 results were significantly worse than the 29 per cent fall in net income reported by Union Bank of Switzerland and the 22 per cent slide at CS Holding. But Mr Georges Blum, SBC chief executive, said the directors were recommending maintained dividends "as an expression of confidence in future performance expectations".

Mr Blum conceded that the flat trend of SBC's earnings over the past four years – excluding the extraordinarily high 1993 net income of SFr1.365bn – did "not correspond to our wishes". But the problems had been identified and steps were being taken to solve them.

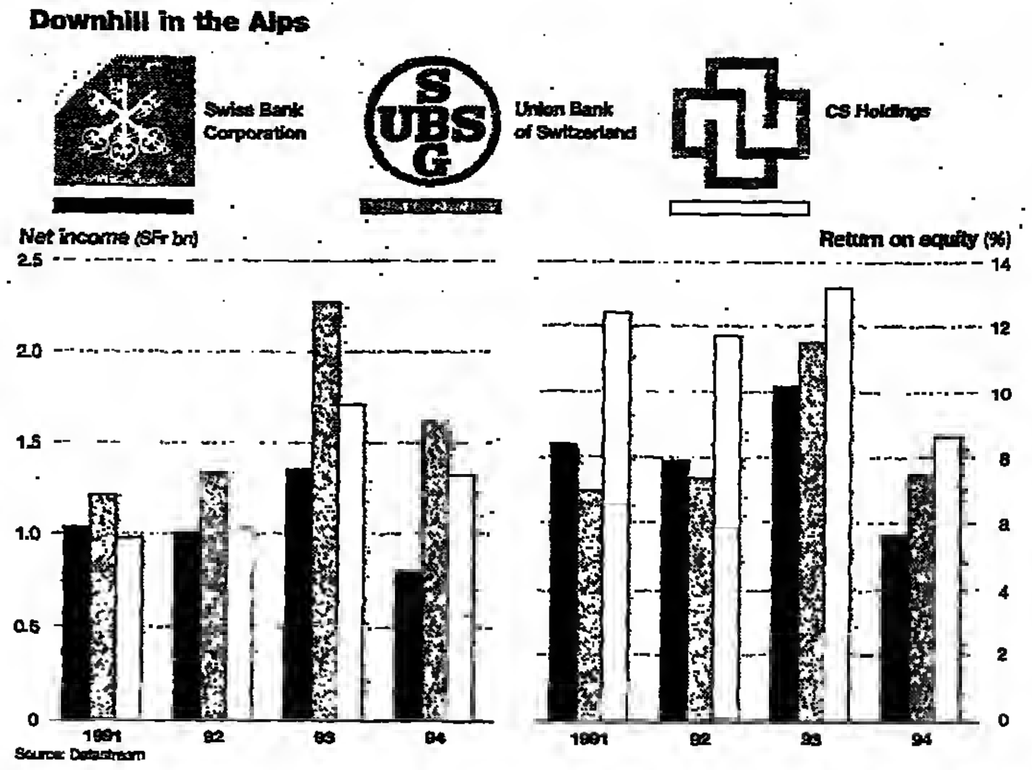
Mr Ospel said the international division, which produced a net profit of only SFr44m last year, was working hard to cut costs. He revealed that the head count in the bank's important London office was down to 1,300. Three years ago, it exceeded 2,000.

SBC is under investigation in London for its behaviour while advising Trafalgar House on its hostile bid for Northern Electric, but Mr Blum was unrepentant. "If you want to make any headway in foreign markets, you have to be courageous. Our action was entirely legal, and the response from our clients has been overwhelmingly positive."

He recalled that the British merchant bank S.G. Warburg caused a similar stir in Switzerland in the mid 1980s when it introduced a number of Swiss franc junk bond issues.

The 9.2 per cent decline in net interest income to SFr2.77bn reflected a withdrawal from some international business and squeezed margins in Switzerland. Commission income was down 2.7 per cent, but quality had improved. Commissions from asset management jumped 19 per cent to SFr250m while brokerage fees fell 21 per cent to SFr646m.

Downhill in the Alps



Source: Datastream

Schroders to shift clients' deposits

By John Gapper in London

Schroders, the UK investment banking group, is to move most of the £700m ($1.15bn) of cash deposits controlled by its fund management arm to other banks to avoid the risks highlighted by the collapse of Barings.

Schroders said yesterday it had told asset management customers it intended to switch cash deposits out of J. Henry Schroder Wagg, its banking arm, so that its investment management arm is "completely ring-fenced".

Schroders also reported pre-tax profits of £195.4m for 1994, against £195.8m in 1993.

Mr Win Bischoff, chief executive, said Schroders had to calm some worries about the strength of UK merchant banks. "There is a gut reaction to merchant banks at the moment. Time will tell to what extent it damages our business," he said. Executives said if Schroders entered securities broking in the UK, it would recruit employees from other firms, rather than buy a broker.

Mr Peter Sedgwick, vice chairman, said Schroders had told customers that it intended to move their cash deposits out of its banking arm, although it might leave a small proportion as a working balance.

"The Barings case showed that holding cash deposits with your own bank can damage your ability to sell an investment management company. A complete separation means that we will have a more valuable asset," he said.

The £700m is the cash portion of Schroders' £57.6bn of managed funds. Mr Sedgwick said the mechanism for moving the cash had not been decided, but it might set up a money fund which would place the cash in a group of banks. He said that the bank's funding was unlikely to be heavily affected by the move of cash deposits from its balance sheet. However, it was possible that merchant banks could be charged more to obtain wholesale funding in future.

He is to head a review of controls to ensure Schroders is not vulnerable to similar hidden trading losses as Barings. He wanted to ensure there was "nothing we should be worried about that we have missed". Mr George Mallinckrodt, chairman, said Barings had "highlighted the importance of stringent controls within financial institutions", but emphasised proprietary trading was not "a major activity".

Lex, Page 17; Results, Page 24

Winners and losers in Barings reshuffle

By Nicholas Denton and John Gapper in London

Barings' new owner, Internationale Nederlanden Group, has overhauled the UK merchant bank's management and left out Mr Ron Baker, the Barings executive to whom derivatives trader Mr Nick Leeson reported.

Mr Baker headed the financial products group for which Mr Leeson worked and shortly before Barings collapsed he was named to Barings investment banking management committee. He has no role in the new senior management structure. Mr Peter Norris, former head of investment banking and a director of Barings, has been given only a limited role. He will act as "adviser" to the co-chairmen of Baring Securities, the broking operation. While ING and Barings executives will jointly manage the businesses, their formal directors will be from ING.

The Securities and Futures Authority, which told ING that it should await the Bank of England inquiry before appointing former directors of Barings to board positions, said it "accepted" the arrangements.

The SFA said ING's Mr Hessel Lindenbergh, chairman of the liaison committee, had been registered as the senior executive responsible for the companies.

Mr Peter Baring, chairman of Barings, remains in a senior position as a member of a six-member liaison committee. Mr Michael Baring, a director of Baring Securities, becomes its co-chairman. Mr Andrew Tuckey, deputy chairman of Barings will head the management committee of Baring Brothers.

ING said its executives would take charge of financial controls until the inquiries gave Barings' executives a clean bill of health.

Barings reports, Page 20

Andrew Hill finds the south is another country for Italian banks

Banco di Napoli, falling star of the Mezzogiorno

Italians tend to divide their 1,000 or so banks into regional "galaxies", for ease of reference. But although the northern constellation is twinkling brightly, recent events seem to have transformed the southern galaxy into more of a banking black hole.

On Tuesday, Banco di Napoli – the brightest and oldest star of the Mezzogiorno – announced a L995bn ($595.84m) loss for 1994, the biggest in its 450-year history and worse than the loss of L850bn recorded by Banco di Sicilia in 1993. The bank blamed the deficit on write-offs of bad loans and trading losses on its investment portfolio.

On the same day as Banco di Napoli announced this loss, Banca Popolare di Milano, once one of the north's strongest banks, confirmed that it had lost L391bn in 1994. Indeed, last year was bad for the entire sector, with difficult bond and stock markets adding to the hangover caused by the recession.

The Naples bank's troubles have again underlined the void between north and south Italy. The southern institutions receive a much greater share of the political pressures, corruption scandals and economic bad news, which have held back the whole banking sector in recentyears.

Banco di Napoli, for example, is only just emerging from the shadow cast by Mr Ferdinando Ventriglia, its former chairman, who died last December.

A Naples court suspended Mr Ventriglia as chairman last year, after allegations that he had manipulated nominations to the board of the foundation which owns 70 per cent of the bank. When the Treasury, which controls 13 per cent of Banco di Napoli, installed a new chairman at the foundation, Mr Ventriglia was quietly edged out.

Events followed the same pattern at Banco di Sicilia a year earlier, with the Treasury and the Bank of Italy, which supervises the sector, taking advantage of the weakening influence of local politicians to press for a review of the accounts.

At Banco di Napoli, this review confirmed the need for a clean-out of bad loans, mainly to small businesses in the southern half of the country, where the Naples bank has 600 of its 800 branches. Nearly L1,000bn of such loans – mostly for less than L1bn each – were written off in the 1994 results.

Mr Luigi Coccioli, the bank's chairman, who as recently as last autumn was predicting a recovery in the second half of 1994, is now pinning his hopes on indirect and direct action by a troubled Italian government.

On the one hand, the government is expected to unfreeze some public works contracts and industrial credits, on which many of Banco di Napoli's small business customers depend.

On the other, the Treasury is preparing to step in to shore up the bank with a capital increase and a transfer of assets, as it did with Banco di Sicilia. Shares in several public financial and development bodies for southern Italy will be handed over to the Naples bank, which could then sell them on to other buyers to help cover its losses.

No value has been put on the assets to be transferred, but in the process – to the annoyance of the controlling foundation – the Treasury will increase its stake and its say in the running of the bank. "We wouldn't have asked the Treasury to help, had it not been for the very bad situation in the south," says Mr Coccioli.

The Treasury's move looks like a setback in its attempts to liberalise the Italian banking sector, which is being watched by international investors for evidence that the Italian economy is opening up.

Mr Lamberto Dini, Italy's prime minister and Treasury minister, has insisted on the need to modernise Italy's fragmented banking sector. Instead of increasing its investment in the sector, the Treasury has pledged to sell off outstanding stakes in former state-owned banks such as IMI, the investment banking group partially privatised last year.

Analysts see the clean-up of the large southern banks as necessary

New laws have also encouraged public foundations to float off a majority of their banking activities. Only last week the foundations which control Cariplo, the Milan savings bank, and Istituto San Paolo di Torino, the Turin bank, pledged to do just that. Other banks, almost exclusively in the northern half, have taken advantage of liberalisation to merge, and even to launch aggressive takeover bids for their most efficient competitors.

These rapid developments have left southern banks like Banco di Napoli and Banco di Sicilia trailing. They remain, however, in the top 10 of Italy's banks by asset value, and backers, like Mr Coccioli, say they are determined to demonstrate their potential to exploit their dominant position in the south.

That is why analysts see the clean-up of the large southern banks as a necessary, if unglamorous, counterpoint to the more market-driven liberalisation in the north.

Indeed, without the intervention of the Bank of Italy and the Treasury they say losses might have been concealed for longer, to the detriment of the long-term survival of the banks, and that of the ailing southern Italian economy.

CBoT and Liffe link up to trade each other's products

By Laurie Morse in Boca Raton, Florida

Directors of the Chicago Board of Trade and the London International Financial Futures Exchange, the world's two largest centres for long-term government bond futures and options trading, have agreed to a link that will allow each exchange to trade the other's most successful products.

The strategic alliance, which must be approved by US and UK regulators and the memberships of the exchanges, has been nearly 10 years in the making.

It will result in 30-year US Treasury bond futures and German bund futures being traded side-by-side in open outcry in London and Chicago. Also included are the CBoT's five-year and 10-year US Treasury note futures and options, and Liffe's long gilt and Italian government bond products.

The arrangement, which CBoT officials believe will take one year to implement, will immediately give each exchange a powerful international line of debt instruments, and make it easier for investors to arbitrage differences in US and German interest rates.

Each exchange will retain clearing and settlement responsibilities for their respective products. The London Clearinghouse and the Chicago Board of Trade Clearing Corporation, as well as the exchanges, are parties to the agreement.

In addition to sharing contracts, members of Liffe and CBoT will be allowed to move freely between the two trading floors, which is intended to speed up liquidity in the new products.

Unlike electronic alliances being forged between European exchanges, the CBoT/Liffe agreement has turned its back on computer trading in favour of open outcry, where traders meet each other face-to-face. Liffe and the CBoT opted out of Globex, the Reuters-owned electronic futures trading system, last April.

Under the plan, Liffe products will be offered on the CBoT trading floor after the London close, from 4.20pm to 8pm London time.

The Chicago bond and note contracts will be traded in Liffe's rings from 7.30am to 1pm London time (1.30am to 7am Chicago time).

As liquidity develops in Chicago, the Liffe's local APT after-hours trading system will be "switched off" for the affected products, said Mr Fred Grede, the CBoT's executive vice-president for operations and planning.

The CBoT will tone down its own local after-hours computer trading session to stimulate the live session at the Liffe. The government bond contracts will not be unplugged, however, until the live link has proved successful.

Background, Page 26

Disposals lift Sanofi to FFr1.51bn

By John Ridding in Paris

Sanofi, the drugs and beauty products arm of Elf Aquitaine, the French oil group, yesterday announced a sharp increase in net profits to FFr1.51bn ($300m) for last year, compared with FFr823m in 1993.

The increase at the net level included exceptional gains from the disposal of the bulk of its bio-activities businesses and some smaller perfume brands which were sold to finance the acquisition of the prescription drugs business of Sterling Winthrop. Stripping out non-operating items, however, the company still reported a healthy 13 per cent rise in profits to FFr1.33bn.

Mr Jean-François Debecq, chairman, described the year as one of important strategic development which would allow further improvement in results. "1995 will be calmer, but should see a significant increase in profits," he said.

One reason for optimism is the prospect of a full-year contribution from Sterling Winthrop. The deal has enabled the company to raise its position in the international pharmaceuticals industry and to gain a direct presence in the US.

It has also prompted a restructuring in the shape of the group. The disposal of much of its bio-activities businesses to pay for the deal, the bulk of which were sold to Viag of Germany for FFr4.4bn, means that the French group is now focused on two sectors – pharmaceuticals and beauty products.

According to Sanofi, its disposal programme is nearing completion. "The sale of the veterinary products business in the Americas is being finalised," it said.

Turnover in 1994 rose by 11 per cent to FFr28.1bn. The healthcare division increased turnover by 17.7 per cent to FFr14.8bn, mainly reflecting the inclusion of the Sterling Winthrop activities in the final quarter. Excluding these businesses, turnover increased by 3.5 per cent.

In the perfumes and beauty products division, sales rose by 18.4 per cent to FFr4.5bn. The bio-activities division generated sales of FFr6.8bn compared with FFr7.1bn the previous year. Operating profits in the division slipped from FFr503m to FFr439m.

Net debts at the end of the year stood at FFr4.2bn, compared with FFr3.4bn at the end of 1993.

The dividend for 1994 is to be maintained at FFr6 a share.

Templeton delays plans to set up Russian fund

By Antonia Sharpe in London

Templeton, one of the biggest institutional investors in emerging markets, has delayed its plans to set up a Russian country fund because of the government's failure so far to provide adequate protection for shareholders.

Templeton said last October that it was opening an office in Moscow and was contemplating launching a Russian country fund of about $300m.

However, Mr Mark Mobius, president of the Templeton Emerging Markets Fund, said yesterday that investment in Russia was hampered by the lack of western-style custodian and depository services.

Another serious problem was the cavalier attitude of directors of Russian companies to their shareholders. "Ownership rights are not honoured," Mr Mobius said from Vienna where he was speaking at an international capital markets conference.

Russia has no paper-traded system because share certificates do not exist. Trading is done over the telephone and the only proof of ownership is by physically listing it in a registrar's book, a procedure which is vulnerable to error and fraud. Other drawbacks to investing in Russia are the lack of reliable and audited financial statements, a chaotic share trading environment and a danger that a future government might renationalise assets.

Mr Mobius added that while seasoned investors in emerging markets were used to sudden changes in their shareholder rights – he has had such experiences in Portugal and Turkey in the past – he detected a fundamental re-thinking towards these markets. "They are now more choosy in which country to invest," he said.

This more selective attitude is evident in Mr Mobius's own portfolio. Of total emerging market funds of $7bn, 30 per cent is in cash. "There is plenty of money around but we want to know what the people using the money are doing," Mr Mobius said.

Fokker plans to sell 66% of aerospace subsidiary

By Ronald van de Krol in Amsterdam

Fokker, the Dutch aircraft maker, said yesterday it planned to sell a 66 per cent stake in its aerospace subsidiary to Ultra Centrifuge Nederland (UCN), one of its main suppliers of aerospace parts, and Parcom Ventures, the joint venture arm of ING, the Dutch financial services company.

The sale of the subsidiary, Fokker Space & Systems (FSS), has been expected since 1993, when Daimler-Benz Aerospace (Dasa) of Germany bought a controlling stake in Fokker.

Dasa, with an aerospace business of its own, made clear from the start that its interest in Fokker lay in its expertise in aircraft, and not in its relatively small aerospace unit. FSS, with annual turnover of about Fl 120m ($75m), makes solar panel systems, rocket parts, parachute systems and robot arms.

Fokker declined to give any financial details of the proposed deal, reserving comment until after due diligence and final negotiations are completed within the next few weeks.

ING's Parcom, which will take a 33 per cent stake in FSS, said it regarded the aerospace company as a long-term investment. UCN, supplier of solar panels to FSS, said the acquisition of a 33 per cent holding was a logical consequence of the two companies' existing industrial co-operation.

Schneider confident despite Spie losses

By John Ridding

Groupe Schneider, the French electrical engineering concern, expects profits to rise this year in spite of plans to merge with Spie Batignolles, its loss-making construction operation.

The merger was described by the company as the last important step in a sweeping restructuring programme designed to consolidate minority holdings, and which has included the divestment of non-strategic assets. Schneider said the merger with Spie Batignolles would provide the capital to support the construction arm and allow closer co-operation between their respective electrical businesses.

Schneider expects to achieve net profits of FFr700m ($139.42m) for 1994, a rise of 73 per cent. This is in spite of a FFr590m share of total losses of FFr810m at Spie Batignolles. The deficit at the construction division has been offset by capital gains of FFr480m resulting from the sale of non-strategic assets.

For 1995, the French group described the outlook as favourable. "The level of activity in the first few months confirms the progression seen since the third quarter of 1994, and it is possible to expect a continuation in the net attributable profit," it said.

The group will benefit from the structure of the deal, which is expected to generate tax savings of about FFr600m. These will be used to offset the financial and management costs of Spie's property assets.

The merger will be in two stages. In April, Schneider will make a public tender offer, priced at FFr227 a share, for the 41 per cent of the shares in Spie Batignolles that it does not already own.

The price, which values Spie Batignolles at about FFr11.3bn, was seen as relatively generous. Some analysts said the terms could reflect legal problems encountered as a result of previous moves to buy out minority investors.

Mr Didier Pineau-Valencienne, Schneider chairman, is under investigation in a Belgian fraud investigation triggered by a buy-out of minority investors.

The second step in the process involves the absorption of Schneider by Spie Batignolles. The new company, which will be called Schneider, will benefit from tax credits and also from the fact that the profitable parent company can avoid consolidating Spie's losses.

Indian group to take ILP stake

By Andrew Hill in Milan

Essar, an Indian industrial group, has agreed to take a 32 per cent stake in Ilva Laminati Piani, the flat steel producer which the Italian government is selling to Riva, a family-owned Italian steelmaker.

On Tuesday, IRI, the Italian state holding company, formally agreed to sell ILP, the last big chunk of Italy's state-owned steel industry, to Riva for L2,500bn ($1.48bn).

Riva will maintain control of ILP through a 52 per cent stake in RILP, the new company formed to make the acquisition, industry sources confirmed yesterday. The balance of the RILP shares will be held by Essar, with 32 per cent; by the family-owned groups which control Acciaierie Valbruna di Vicenza, a small steel producer; and Metalfar di Erba, a manufacturer of steel products. The two companies, both based in northern Italy, will each own an 8 per cent stake in RILP.

The proportion of shares held by the new partners could be adjusted in future, if ILP's bank creditors decide to convert some or all of their outstanding debt into equity.

Essar, listed on the Bombay stock exchange but controlled by the Ruia family, is a fast-growing Indian industrial group with interests in steel, shipping, oil and services. Essar directors were not available for comment.

Riva, which will become Europe's second-largest steel producer with the ILP acquisition, kept silent about its potential partners during negotiations with IRI.

Tarnnfin, a group of more than 80 local entrepreneurs based near ILP's main steel plants, hoped to have a say in the future of the steel producer, but the consortium has so far been excluded from Riva's plans.

Lockheed investors back $10bn merger

Lockheed's stockholders have overwhelmingly approved its $10bn merger with Martin Marietta, creating the world's largest defence company, Reuter reports from Chicago.

The merger, of the second and third largest defence contractors in the US in an exchange-of-stock transaction, will be completed once there is approval from both companies' stockholders.

The new company will be known as Lockheed Martin and will be based in Bethesda, Maryland.

The corporate marriage, announced last year, will create a company with more than $22.5bn in annual sales.

Deutsche Babcock sees flat year

By Michael Lindemann in Bonn

Deutsche Babcock, the German power and engineering group, yesterday forecast that gross profits this year would be in line with the DM102m ($72.15m) in 1994, but warned that it would have to shift more production abroad to remain competitive.

The company said that profits this year would be affected by a fall in turnover because several large power and environmental technology contracts would only be booked in the following year.

However, lower costs following extensive restructuring were likely to make up for that, said Mr Heyo Schmiedeknecht, chief executive.

By 2000, Deutsche Babcock hopes to double its sales outside western Europe to DM5.5bn, which would then represent 48 per cent of the total forecast group turnover of DM11.5bn, up from 34 per cent at present.

The higher foreign sales would be achieved partly by shifting production abroad but also by buying in components from cheaper foreign manufacturers, Mr Schmiedeknecht said.

The company reported a net profit of DM68m for 1994, up from DM20m the year before. For the first time since 1988 it will pay a dividend, of DM5, and said it wanted to make sure it could make dividend payments in years to come. Turnover last year remained stagnant at DM8.2bn.

The group said its environmental technology activities in the US had performed particularly badly. Sales had suffered because legislation to introduce stricter controls had not been introduced as quickly as possible.

Deutsche Babcock plans to shed a further 1,500 jobs by September 30, the end of the financial year, bringing the workforce to 38,000. In the past three years the company has spent DM383m on redundancies.

Mr Schmiedeknecht also demanded that the Bundesbank cut interest rates by at least one percentage point.

Czech utility ahead at net level

By Vincent Boland in Prague

CEZ, the partly privatised Czech electricity producer, yesterday reported pre-tax profits of Kc16.2bn ($618.6m) for 1994, and said it had been given an investment grade rating of A minus by the Japan Bond Research Institute.

Pre-tax profit was slightly down on the 1993 figure of Kc16.7bn, but changes to depreciation classification in 1994 and a slight fall in corporate tax rates resulted in a lower tax charge. This helped lift after-tax profits to Kc8.9bn from Kc7.3bn a year earlier. Turnover rose to Kc52.1bn from Kc50.8bn.

Some 33 per cent of CEZ shares are in private hands, following the Czech government's coupon privatisation programme, which ended last year. Trading in the company's shares dominates activity on the Prague stock market, which rose slightly in early dealing yesterday after the results were released, ending 17 successive days of decline. CEZ is not paying a dividend.

Mr Gabriel Eichler, vice-chairman and chief financial officer, said the company's profits were being reinvested to finance a huge investment programme that includes refurbishment of its Temelin nuclear power plant.

Mr Eichler said CEZ would most likely begin paying dividends to shareholders in 1997, from its results in 1996. He said results for this year should be similar to 1994.

The company may launch an international bond issue in the second half of this year. CEZ has an investment grade rating of BBB minus from Standard & Poor's, and last year it raised $150m in the biggest Eurobond issue yet by a Czech borrower. It is due to raise Kc3bn in a 10-year Czech crown bond issue in May, which will be lead managed by ABN Amro and Zivnostenska Banka, a Czech bank. The 10-year issue will be the longest dated offering so far in the Czech Republic.

Its investment grade rating from the JBRI was sought with a view to issuing a samurai bond later this year.

INTERNATIONAL COMPANIES AND FINANCE

Forestry recovery helps AssiDomän surge to SKr2bn

By Christopher Brown-Humes in Stockholm

AssiDomän, the Swedish pulp and paper group, more than doubled 1994 profits to SKr2.07bn ($287m), helped by a strong upswing in the forestry cycle, the weak krona and cost-cutting.

The performance beat the company's revised forecast of a profit of between SKr1.8bn and SKr1.9bn, and was 137 per cent higher than its 1993 profit of SKr876m. The group, partially privatised last year, declared a first-time dividend of SKr3.25 a share.

Mr Lennart Ahlgren, president, said the company could expect even better results in 1995, due to rising paper and board prices and strong demand. He noted that AssiDomän's timber self-sufficiency – it is the biggest private forestry owner in the northern hemisphere – made it less sensitive than other groups to increased wood prices.

Gross sales increased 18 per cent to SKr17.2bn, bolstered by higher volumes and the weak krona. An important factor was the US economic upswing, which kept North American producers out of the European market.

Highar volumes and prices for most main products, including sawn timber, pulp and kraftliner (used to make corrugated board), helped lift operating profits to SKr2.26bn from SKr1.15bn.

The biggest contributor was the forestry and saw mill unit, Skog & Trä, where profits rose 49 per cent to SKr1.35bn from SKr911m, helped by acquisitions and cost-cutting. The kraft products division rebounded to a SKr249m profit from a SKr123m deficit, while packaging profits rose to SKr481m from SKr363m.

The bottom line was helped by a lower debt hurden which cut financing costs by SKr87m to SKr193m.

The Swedish government retains a majority stake in AssiDomän after selling a 49 per cent stake in the company for SKr7.6bn last spring.

The company said it plans to sharpen its focus on its core sawn goods and paper-based packaging operations.

Brazilian retailer stages turnround

By Patrick McCurry in São Paulo

Casa Anglo Brasileira, the Brazilian department store chain in which US investment bank J.P. Morgan recently took a stake, yesterday announced consobdated profits before tax of R$20.52m (US$22.8m) for the year to the end of December 1994.

This compares with a loss of R$6.59m in 1993.

Underlying profits, excluding extraordinary items and exchange rate gains following the appreciation of Brazil's Real currency, were about R$9.5m, analysts said.

Casa Anglo, which is Brazil's third largest retailer and the holding company for Sao Paulo-based Mappin department stores, announced dividends of R$4.05 per 1,000 shares.

The turnround was largely due to a 30 per cent increase in sales since last July's lamch of the Real, which has brought down inflation dramatically.

A sharp increase in consumer credit since the introdnction of the Real helped Casa Anglo's consumer financing subsidiary.

At December 31 1994, the company had reduced its debt to R$10.1m from R$79m a year earlier, due to a R$40m capital increase, the sale of assets and the conversion of debentures into shares.

In Jannary, J.P. Morgan International Capital paid $6.4m for 10.2 per cent of the voting capital of Casa Anglo.

Volcker to head private bank

Mr Paul Volcker, the former chairman of the US Federal Reserve board, has taken on primary executive responsibility at James D. Wolfensohn, the private US investment bank, writes Richard Waters in New York.

The move, and other management changes at the bank, follows the departure of the bank's eponymous founder to become president of the World Bank.

As part of the move to sever his ties with the New York-based bank, Mr Wolfensohn has also sold his equity stake to other executives.

This leaves ownership in the hands of 11 insiders at the bank.

Wal-Mart in $100m Brazilian venture

By Angus Foster in São Paulo

Wal-Mart, the US discount retailer, yesterday announced its entry into Brazil with plans to open five stores via a joint venture with an initial investment of up to $100m.

Mr Bob Martin, president of Wal-Mart International, said that once the company had "proven" itself in Brazil, it would look for more sites with an "ambitious and aggressive attitude".

Wal-Mart owns 60 per cent of the joint venture, with Brazilian retailer Lojas Americanas holding the rest of the shares. The company plans to build two Wal-Mart Supercentres and three wholesale clubs, designed for small business customers, in the suburbs of São Paulo. About 85 per cent of prodncts stocked will be made in Brazil.

Mr Martin said plans to enter Brazil had not been altered by Mexico's financial problems, which prompted Wal-Mart to put on hold its Mexican expansion plans.

The company also recently announced plans to build six stores in Argentina. "We have not changed our attitude to Latin America because of Mexico," he said.

Brazil's retail market, the biggest in Latin America with nearly 160m consumers, is being researched by several other foreign retailers.

After a decade of high inflation and low investment, the big Brazilian retailers like Mappin and Casas Americanas are only beginning to antomate inventory and sales, giving scope for newcomers to compete against the established names.

The main competition for Wal-Mart's Superstores, which will stock 50,000 prodncts including food and fresh goods, is likely to come from French snpermarkets group Carrefour, which is also expanding rapidly in Brazil.

Retail sales have grown extremely rapidly since a new currency brought down inflation last year. A rise in disposable income has also seen sales of some consumer goods rise like televisions rise more than 50 per cent from a year ago.

US group upbeat

Union Carbide, the US chemicals group, said it expects 1995 first-quarter fully-diluted earnings to exceed analysts' estimates, which range from 80 cents to $1.10 a share, Reuter reports from Connecticut.

In the year-earlier quarter, the company posted net income of $61m, or 37 cents per share.

Sulzer strives to bring back its sparkle

Investors are concerned the group's restructuring has run out of steam, writes Ian Rodger

For mucb of 1992 and 1993, the engineering group Sulzer was one of the darlings of the Swiss stock market.

The group was widely seen as a model of how diversified Swiss machinery makers could restructure to thrive in a high wage, hard currency economy.

But in the past few months, its shares hava tumbled, while those of other leading cyclical Swiss companies, such as Alusuisse and Georg Fischer, have held their ground in a difficult market.

Investors are concerned that Sulzer's restructuring drive may have run out of steam, and that it will therefore remain a sprawling conglomerate.

Since 1988, when Mr Fritz Fahrni, a young engineer, took over as chief executive, Sulzer jettisoned many of its traditional businesses, including the marine diesel engines that made its name early in the century, and the closely related foundries in Winterthur. It has whittled more than 30 product lines down to about a dozen.

The group built up new, high technology growth businesses, especially medical devices, such as heart valves, pacemakers and replacement joints.

Otber divisions tbat appeared to have a future or could not be sold, such as pumps and textile machinery, were restructured to the point where they could be profitable and become market leaders.

By 1992, the restructuring seemed to be paying off. Net income reached SFr168m ($143m), more than doubla the 1988 level. The group made another handsoma spurt in 1993 to SFr186m.

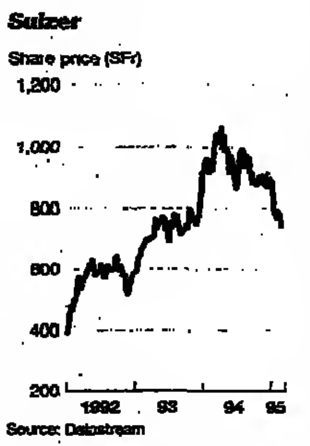
However, last year investors' enthusiasm suddenly disappeared.

In part, this was due to disappointing figures. Order intake was stagnant at SFr6.1bn last year and the medical equipment division, for which hopes were high, suffered a 1.5 per cent decline in orders.

But it was more a question of strategy. The organisation chart still showed a hewildering array of product areas, including pumps, compressors, water turbines, surface coating materials, railway locomotives and building control systems.

The group's strategy – to be a leader in each sector in which it operates and to seek technological advantage – seemed more a justification of the situation in which it found itself than a well thought-out plan.

Mr Fahrni rejects these criticisms, insisting that the group



is continuing to focus its activities. He says that while moves tend to be smaller now, "we act not for the headline, hut for the bottom line."

Mr Fahrni says three core businesses, the Rüti textile weaving machines, the Infra building controls company and Sulzermedica, are easily understood. Analysts' difficulties come on the engineering side, where the product range is large.

"Each of these businesses is too small to write about, but each has a leading position in its sector," he says.

However, one result of such a wide range of products is to level out the earnings swings from different market cycles.

Groups with such a profile and relatively stable earnings tend to maintain high levels of debt to provide some earnings leverage for the equity. However, Sulzer has virtually no net debt and its return on equity is well below 10 per cent.

"We are still in the process of adjusting, and I want to keep some freedom of movement to make acquisitions," Mr Fahrni says.

He says analysts have judged the group's performance too harshly in the past year. Like many Swiss companies, its figures have been affected by the strength of the Swiss franc.

However, the impact of the strong franc depends on how much of the group's actual value is added in Switzerland. Nestlé, the Swiss foods group, for example, has little manufacturing in Switzerland, so the currency effect is largely cosmetic. For watchmaker SMH, which makes all its products in Switzerland, it is drastic.

Because of its acquisitions and expansions abroad in the past few years, Sulzer fits somewhere between the two extremes, with nearly half of its value created outside of Switzerland. "Fortunately, we are no longer a Swiss company. We would have been hurt much more by the currency five or six years ago," Mr Fahrni says.

"The only part of our business that is really hurting is the 17 per cent of our Swiss output that is going to the dollar area."

Currency movements have also distorted the published order figures. "If we reported Sulzermedica orders in local currencies, they would be up 3.5 per cent last year. If we presented them in dollars, they would be up 6.8 per cent," Mr Fahrni says.

He acknowledges that the medical division is lagging competitors in bringing heart defibrillators to the market. "Whether we succeed is still in the balance," he says.

However, he is convinced that the overall medical division will continue to grow. "We feel we have a technology base on the materials side that we can use." The division can also cut costs to meet the pressure from governments to reduce their spending on medical equipment.

"All of our products ease or improve quality of life, so we suspect that price pressure has not hit us hardest," Mr Fahrni says.

Thomson posts record net profits

By Robert Gibbens

Thomson Corp, the Canadian information technology, pnblishing and travel group, posted record net profit of US$427m, or 74 cents a share, in 1994, np 21 per cent from $352m, or 62 cents before special charges, in 1993.

Thomson said it benefited from group reorganisation, higher capital investment and development of new products.

Revenues rose to $6.35bn from $5.85bn.

Fourth-quarter net profit was $123m, or 22 cents a share, up from $38m, or 6 cents, a year earlier. Revenues climbed to $1.6bn from $1.45bn.

Total operating profit from the information-publishing interests for 1994 was $458m, compared with $440m. Thomson Newspapers contribnted $191m, against $174m, and Thomson Travel $160m, up from $128m.

Most components of the information-publishing gronp should improve their contributions in 1995, the company said. However some newspaper markets remain difficult, especially in Canada.

Thomson Travel, including Britannia Airways, had an excellent year. The airline is adding equipment in 1996-1997.

Suzuki pulls out of Santana

By David White in Madrid

Suzuki of Japan yesterday pulled out of its troubled Spanish subsidiary Santana Motor, selling its 83.7 per cent holding to the regional government of Andalucia for a symbolic Pta1, according to todustry officials in Seville.

The agreement comes after more than a year of efforts to find a new shareholding partner for the company, which produces four-wheel drive vehicles at Linares and employs 2,400.

Regional government officials said control had been taken over provisionally by the Andalucia Development Institute, bnt that negotiations were continuing with potential international partners.

Santana Motor, the largest employer in the Linares region, became the focus of a fierce local protest last year after it suspended payments to creditors in February and came under threat of closure. The suspension measure was lifted last December.

The plant previously produced Land Rover vehicles, but the UK company sold its last shareholding five years ago.

The European Commission is investigating government subsidies for the factory, including a Pta6.8bn ($52.7m) participative credit pledged by the regional authorities. The Spanish government has argued that the aid for Santana does not distort competition.

The Andalucia government said yesterday's move was designed "to protect public interests and tbose of the company itself", and that a solution for the factory was expected to emerge by the summer. Company officials were not available for comment.

General Mills suffers setback

By Richard Tomkins in New York

Heavy restructuring charges related to the spin-off of its restaurant business hit General Mills, the US food manufacturer, in its third quarter to February, and the company warned of more to come in the final quarter.

Third-quarter restructuring charges totalled $132.5m, reducing net earnings to $5.4m, or 3 cents a share.

Profits excluding the restructuring charges also fell, to $137.9m, or 87 cents a share, from $145m, or 91 cents, last time.

Net profits in the consumer food business, excluding charges, fell 6 per cent to $106.1m from $112.7m, reflecting lower shipments of domestic snack products and one-time trade inventory reductions in the company's US non-cereal dry groceries business.

The closely-watched Big G cereal business saw a 2 per cent unit volume decline because General Mills and other US cereal makers were engaged in heavy promotional activity in the comparable period.

Earnings in the restaurant business, to be spun off at the end of the fiscal year, slipped to $31.8m before restructuring charges from $32.3m.

General Mills said combined charges in the third and fourth quarter would total $180m, but these were aimed at accelerating growtb rates when the spin-off was complete.

They would result in after-tax savings of $20m a year for the consumer food business and $12m a year for the restaurants.

Alcan looks for global acquisitions

By Robert Gibbens in Montreal

Alcan Aluminium has raised the possibility of "alliances and acquisitions" to expand its global business for the first time since the recession began.

Strong world demand for primary metal and fabricated products, together with declining inventories, would also "allow the restart of our temporarily closed smelting facilities", Alcan said in its 1994 annual report.

The Canadian gronp completed most of its restructuring in 1994, and reported net profits for that year of US$96m – the first annual profit since 1990. Analysts estimate it has abont 80,000 tonnes of temporarily closed capacity.

Mr Jacques Bougie, president, said earnings should continue to improve througb 1995 with the benefit of improved prices for fabricated products. Alcan negotiates these late in the year for tbe following year. Strong market demand will belp reduce world inventories, said Mr Bougie.

"We bave tbe world's lowest-cost smelter system with growing recycling capacity," be said. "Internal growth will be angmented by alliances and acquisitions that a strong balance sheet will allow."

French bank cuts total provisions against doubtful loans and other assets by 29.4%

Société Générale lifts net income 6% to FFr3.82bn

By Andrew Jack in Paris

A sharp fall in provisions helped Société Générale, one of France's largest banks, lift net income by 6.6 per cent to FFr3.82bn ($761m) in 1994, according to results published yesterday.

The bank reported net banking income down 3.4 per cent to FFr38.97bn, from FFr40.35bn, and a 0.3 per cent increase in operating costs to FFr28.13bn from FFr28.04bn, cutting operating income 11.9 per cent to FFr10.84bn from FFr12.31bn.

However, the decline was offset by a reduction of 29.4 per cent in total provisions against loans and other assets, to FFr5.09bn. This compared with provisions of FFr7.21bn in the previous 12 months.

Mr Marc Viénot, chairman, said its coverage against doubtful loans was now "extremely prudent" and that it had FFr2.3bn in provisions against its property loans.

Loans fell by 2.4 per cent to FFr631.2bn from FFr647bn, offset by a 3.1 per cent increase in deposits to FFr404.2bn, up from FFr392bn.

The value of its share portfolio fell 6.8 per cent to FFr313.1bn from FFr336bn, giving a balance sheet total of FFr1,486.2bn against FFr1,533.8bn a year earlier.

Staff costs fell by 1.9 per cent to FFr15.5bn (FFr15.8bn), but this was offset by a 4.5 per cent rise in depreciation charges, to FFr1.44bn from FFr1.38bn, and a 3.1 per cent increase in other administrative charges to FFr11.18bn from FFr10.84bn.

Exceptional charges totalled FFr324m against FFr38m in 1993.

Mr Viénot said it was impossible to predict the prospects for recovery in the depressed French property sector, but he said he thought companies would begin to seek additional finance again from the end of this year.

He would not forecast the bank's financial position in the current year, but said that its performance to date had been in line with its estimates.

The group stressed its continued commitment to its portfolio of substantial stakes in industrial and commercial companies, which had a book value at the end of last year of FFr22.9bn.

The internationally-agreed BIS ratio, designed to measure solvency, stood at 9.34 per cent, well above the minimum of 8 per cent.

The group said it was recommending to the annual general meeting a dividend of FFr16 a share, the same as in the previous year.

Marc Viénot: doubtful loans coverage 'extremely prudent'

Singapore trading firms face shake-up

By William Lewis in Singapore

The collapse of Barings is likely to lead to a shake-up of the management structures of several trading firms in Singapore, which are set to implement clearer lines of responsibility for the management and control of their futures trading subsidiaries.

Investigators examining Barings' collapse on behalf of the Singapore government have found that Singapore-based Barings executives, such as Mr James Bax who was a director of Baring Futures (Singapore), had little day-to-day contact with the subsidiary.

Instead, investigators believe, the overseeing of BFS was mainly carried out in Barings' head office in London.

Mr Bax has not been appointed a director of the successor company to BFS which the new owner, Internationale Nederlanden Groep, is setting up, and he has been questioned by the Singapore authorities.

"Other executives in the same position as Mr Bax have been asking themselves if they would want to end up in hot water as he has done," one investigator said.

"It was a daft way to do things, but many other banks have the same sort of structure – a titular regional head who is responsible in theory for the futures business but in reality it has little to do with it," he said.

● Lawyers acting for Simex, the Singapore futures exchange, are examining which, if any, Barings executives should be held responsible for failing to give it important personal details relating to Mr Nick Leeson, whose trading activities allegedly forced the bank into administration.

Simex officials believe exchange rules were broken by Barings executives who failed to tell it of UK county court judgments against Mr Leeson for non-payment of private debts, when he applied in 1992 for approval to trade in Singapore.

It is unclear from the rule hook details Simex makes publicly available what punishment Barings executives might face if found guilty, although the exchange did confirm yesterday that a fine of up to S$25,000 (US$17,666) could be levied against Barings.

It is thought more likely that any sanctions against individual executives would be implemented by the Monetary Authority of Singapore, which is responsible for regulating Simex.

Traders say it could place a permanent ban on those held responsible from holding management positions in Singapore.

"It is likely that they do this informally as formally," one said.

Japanese trading resumed

By Emiko Terazono in Tokyo

Barings yesterday resumed its activities on the Tokyo and Osaka stock exchanges following the reinstatement of its memberships.

The move follows the purchase of Barings's continuing businesses by Internationale Nederlanden Groep last week.

ING acquired the shares of Baring Securities (Japan), the Japanese arm of Baring Securities, last Thursday, and the administration order by Japanese authorities on the company was also lifted.

The Osaka Securities Exchange, the main market for Nikkei 225 futures, said losses stemming from settlements of Barings' outstanding stock futures positions totalled Y22.3bn ($225m), which were covered by trading collateral of Y33.4bn. Barings' losses on its positions on the Tokyo Stock Exchange, some Y6bn, were covered by deposits of Y17.8bn.

Osaka dealers ride out the shock waves

The OSE fears greater control by Tokyo, reports Emiko Terazono

In spite of the recent uproar in Japan's financial markets over the Barings crisis, the futures operations at the Osaka Securities Exchange, are placid. Mr Nick Leeson accumulated part of his large futures holdings through Osaka, Japan's second largest exchange.

In a tiny room above the main trading floor, officials sit in front of two screens looking at the day's transactions and sometimes reading the newspaper.

But for the futures dealers placing trades, the past few weeks have been chaotic. "I lost my home in the Kobe earthquake but the 'Barings shock' was more traumatic," concedes Mr Michinori Sato, manager at Daiwa Securities' Osaka branch.

Traders and the OSE are concerned about public criticism of futures trading following the Barings debacle. They also fear that the crisis will result in more central control by the government and the Tokyo Stock Exchange over activities in Osaka.

As home of Japan's first commodity futures trading – rice futures were traded for more than 200 years until 1939 – Osaka seemed the natural choice for the Nikkei 225 futures contracts.

But as trading in the underlying cash stock market in Tokyo languished and share prices continued to plunge, Nikkei futures on the OSE, whose trading volume rose above that of S&P 500 futures in the US in 1990, became an easy target.

Under pressure from the Tokyo exchange, the ministry of finance and Japanese brokers, the OSE in 1992 raised its collateral requirements and disclosed trading activity.

As a result, the OSE over the past three years has lost trading to Simex, which also lists the Nikkei 225 contract and had been trying to build a reputation as a leading international financial market.

"Singapore became a place for the speculators while the more conservative Japanese investors have stuck to Osaka," says Mr Satoshi Nishikawa, of Nikko Securities' derivative trading division.

The Barings crisis has raised several issues, including the the need for closer dialogue between the two exchanges.

Japanese financial authorities are angry with Singapore for not imposing the same regulations as in Osaka, and during the past year, the two sides have conferred only three times. Language has also been a reason for the communication problem.

Most of all, the crisis has strengthened the case for tighter restrictions.

Advocates of tight regulations maintain that Osaka's expensive collateral protected the financial community, while high levels of disclosure dispelled market worries over the disposal of Barings' holdings following its collapse.

Mr Takuo Noguchi, senior executive governor of the OSE, says there are no plans to impose tighter restrictions on Nikkei 225 futures trading, and he plans to fend off any demands to do so.

This will not be easy in the current environment. The burst of the asset "bubble" of the late 1980s led public consensus to condemn even stock investments as "speculation".

Traders point out that financial authorities still choose to define the futures market as a place to hedge their positions, rather than a place to bet on the direction of the market.

Mr Noguchi underlines the need for speculators to take on the risk which investors want to hedge by using futures contracts. "What needs to be understood is that there is risk in the economic transactions, and there are investors willing to make money through the process of risk containment.

"Some people call futures trading a form of gambling but we are not artificially creating risk, like horse or boat racing," says Mr Noguchi.

NEWS DIGEST

Jump in exports sparks 77% gain at Skoda Plzen

Skoda Plzen, the Czech engineering group, saw a sharp rise in profit in 1994, lifted by a rise in exports and productivity, writes Vincent Boland in Prague.

Profit rose 77 per cent to Kc582.3m ($22.2m) from Kc315m on sales of Kc16.5bn, up from Kc11.5bn. Exports advanced 124 per cent to Kc5.93bn, while a 10 per cent cut in the company's workforce to 19,107 pushed productivity up by 60 per cent.

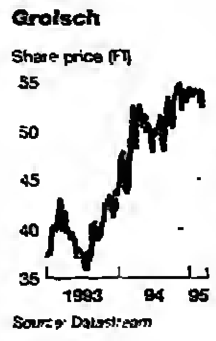
The company did not disclose figures for profits after tax or whether it would pay a dividend to shareholders. It reported profits after tax in 1993 of Kc34.5m.

Skoda is a conglomerate of heavy engineering subsidiaries that produce nuclear power technology, rolling stock, turbines and big electrical equipment.

The company has been restructuring rapidly, mainly by cutting the workforce and pushing into new markets in China and south-east Asia.

Mr Lubomir Soudek, chairman and chief executive, acquired a 20 per cent stake in Skoda last year for Kc320m. Other shareholders include Investicni Banka and Komercni Banka, two big commercial banks in the Czech Republic.

Grolsch registers sharp profits improvement



Grolsch, the Dutch beer group, expects a "marked" increase in 1995 profits after a 20.4 per cent rise in net profit in 1994, writes Ronald van de Krol in Amsterdam. Net profit rose to Fl 52.4m ($33.8m) in 1994 from Fl 43.5m the year before. Turnover fell 30.2 per cent to Fl 554.1m from Fl 793.5m, but the company noted it was not possible to compare the two years directly because of the sale of its German brewery subsidiary, the Wicküler group, to Germany's Brau und Brunnen in January 1994.

Another change from 1993 was the first-time consolidation of Grolsch's 51 per cent stake in a joint venture with Bass, the big UK brewer, aimed at widening the distribution of Grolsch beer in the UK. In Germany, Grolsch is now distributed by Brau and Brunnen, as part of a wider deal struck at the time of the Wicküler divestment.

Grolsch will pay a dividend of Fl 1.32 a share, a 22.2 per cent increase from the Fl 1.08 paid in 1993.

The company increased its sales in Germany and the UK in 1994 in spite of the overall contraction of the two beer markets, underlining the benefits reaped from Grolsch's position in the premium end of the market.

Sales also rose in the Netherlands and on export markets.

Operating profit rose 22.3 per cent to Fl 80.2m, helped by cost-cutting measures in the UK and the Netherlands. Cost-cutting would continue in 1995, the company said.

ISS to increase dividend despite reverse

ISS International Service System, the industrial cleaning group, is proposing a dividend increase even though net profits slumped to DKr288m ($50.79m) from DKr462m and pre-tax profits fell to DKr451m from DKr593m, writes Hilary Barnes in Copenhagen.

Sales increased by 7 per cent to DKr14.23bn from DKr13.30bn, while operating profits were unchanged at DKr533m.

ISS said the relatively slow growth in sales and the fall in profits was explained by disposals last year. For identical units, sales advanced by 14.5 per cent and operating profits by 12.7 per cent.

A DKr2.20 per share dividend was proposed, equal to 11 per cent, compared with a dividend of 10 per cent in 1993. After an issue of 3m shares in New York last year, the total pay-out rises to DKr65.5m from DKr51.9bn.

The increase in the number of shares also contributed to a fall in earnings per share, down to DKr9.81 from DKr10.40.

ISS, which has 122,600 employees in Europe, Brazil and North America, said the North American division increased turnover by DKr22.4 per cent to DKr6.18bn and operating profits by DKr49m to DKr269m.

Moderate growth in group turnover was predicted for 1995, when the depreciation of the dollar and the effect of disposals in 1994 may have effect operating profits.

But in coming years the group expects to be able to maintain an average growth in turnover of 10-12 per cent and in earnings per share of 15-20 per cent.

Reynolds Metals sells Australian interests

Gwalia, the Perth-based gold-mining and industrial minerals group, and Camelot Resources, a small mining company with interests in Australia and Fiji, are jointly acquiring the Australian gold interests of Reynolds Metals, the US-based aluminium producer, writes Nikki Tait in Sydney.

Reynolds put the assets up for sale last year, after selling a 40 per cent interest in the Boddington goldmine in Western Australia to Poseidon Gold.

Gwalia will acquire the Marvel Loch goldmine, the South Cross goldmine and some neighbouring exploration properties – all in the Yilgarn Greenstone Belt in WA. The price will be A$22.8m (US$17m).

Gwalia said that reserves and resources at the two mines totalled about 1.18m ounces, of which 241,150 ounces were in the proved and probable category.

Camelot is paying A$15.2m for the Mount Gibson mine, the Mt Holland project and a half-share in the Adelaide River joint venture in the Northern Territory.

Accor Asia Pacific opens with A$26m

Accor Asia Pacific, the hotel management company listed in Australia but handling properties in the Asia-Pacific region, yesterday announced a profit of A$26m (US$19.4m) in the 12 months to end-December, on revenues of A$90.1m, writes Nikki Tait.

There was no comparison with the previous year, since 1994 was effectively the first full-year of operation.

By the end of 1994, there were 72 hotels under management and AAPC said the number was set to rise to 128 by end-1996.

The group was formed by the merger of Quality Pacific Corp and the Asia-Pacific hotel and service interests of France's Accor group in 1993. Accor still retains large minority stake in AAPC.

Steady growth for Israel Chemicals unit

Israel's Dead Sea Works, which is 90 per cent owned by Israel Chemicals, reported net profit rose 54 per cent to US$27.7m from $18m in 1993, Reuter reports from Jerusalem.

Sales totalled $296m, up 20 per cent from $247m in 1993.

A senior company official attributed the rise to higher potash prices in the international market.

He added that potash prices had continued to firm in the first quarter of 1995.

Dead Sea Works produced 2.1m tonnes of potash last year, down slightly from 2.18m in 1993. The drop was due to weather damage to production facilities, the company official said. Dead Sea Works invested $25m last year to expand potash production.

The company reported sharp increases in sales to India, China and Brazil last year while sales to traditional European customers declined.

The government recently sold a 25 per cent stake in Dead Sea Works parent Israel Chemicals to industrialist Mr Shoul Eisenberg, of the Israel Corp.

A global share offering in Israel Chemicals is planned for next month.

Steady first half for Preussag Stahl

Preussag Stahl, the steel unit of Germany's Preussag, said the first half of its current business year had been satisfactory but that price levels remained low, Reuter reports from Braunschweig.

Mr Hans-Joachim Selenz, chairman, told the annual meeting that first-half crude steel production was flat at 2.3m tonnes.

In the previous year, Preussag produced 4.46m tonnes of crude steel, up 15 per cent, and 3.68m tonnes of rolled steel, up 16.7 per cent. Sales rose 21 per cent to DM2.9bn ($2.05m).

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(Incorporated in Malaysia)

Golden Hope

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Zain Azahari bin Zainal Abidin
Mohammad bin Abdullah
Howe Yoon Chong
Dr. Ng Chong Kin
Maznah binti Abdul Hamid
Abdul Rahman bin Ramli

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50400 Kuala Lumpur
Malaysia

To the Members,

INTERIM REPORT FOR THE SIX MONTHS ENDED 31ST DECEMBER, 1994

The Directors announce that the unaudited results for the six months ended 31st December, 1994 were:

	Group			Company		
	6 months ended 31.12.94 RM'000	6 months ended 30.9.93 RM'000	%	6 months ended 31.12.94 RM'000	6 months ended 30.9.93 RM'000	%
Turnover	439,761	322,635	36	44,782	44,301	1
Investment and other income	6,918	4,054	71	11,723	5,043	132
Operating profit	126,638	54,439	133	12,655	16,953	(25)
Associated Companies	1,045	3,556	(71)	–	–	–
Profit before taxation (See Note 1)	127,683	57,995	120	12,655	16,953	(25)
Taxation (See Note 2)	34,508	17,472	(98)	3,800	1,692	–
Profit after taxation but before extraordinary items	93,175	40,523	130	8,855	15,261	(62)
Minority interests	4,887	2,982	(64)	–	–	–
	88,288	37,541	135	8,855	15,261	(62)
Extraordinary items (See Note 3)	3,810	23,508	–	–	–	–
Profit attributable to shareholders	92,098	61,049	51	8,855	15,261	(62)

NOTES

1) After charging				
- Interest	1,042	2,132	274	332
- Depreciation	17,985	13,850	2,699	2,898
2) Taxation includes				
- Current	35,175	18,066	3,800	1,692
- Deferred	(734)	(608)	–	–
- Associated Companies	67	14	–	–
3) The extraordinary items comprise:				
Gain on compulsory land acquisition	2,880	21,869	–	–
Surplus on disposal of investments	930	1,639	–	–
	3,810	23,508	–	–

4) There were no pre-acquisition profits included in the results for the half year.

	6 months ended 31.12.94 Group	6 months ended 30.9.93 Group
Profit after taxation but before extraordinary item as a percentage of turnover	21.2%	12.6%
Profit after taxation and minority interests but before extraordinary item as a percentage of shareholders' funds	3.8%	1.8%
Net earnings per share (in sen)*	8.8	3.8
Net tangible asset backing per share*	RM2.33	RM2.16

* The net earnings per share and net tangible asset backing per share are calculated based on the share capital of 1,001,242,499 (1993: 999,803,499) shares in issue.

5) The Company changed its financial year end from 31st March to 30th June with effect from 30th June, 1994. The comparative figures therefore cover the six months to 30th September, 1993.

The substantial improvement in Group profit is mainly attributable to higher prices for palm products and rubber although crop production is lower. The improved performance of manufacturing, property and overseas activities further enhanced the profit. The Group profit will improve for the rest of the year due largely to higher commodity prices and better results from property and overseas operations.

HARVESTED CROPS – TONNES

	Group 6 months ended 31.12.94	Group 6 months ended 30.9.93
FFB	689,534	775,792
Palm oil	134,085	150,439
Palm kernel	40,518	44,836
Rubber	17,449	15,689
Cocoa	2,070	3,518
Copra	1,958	3,151

DIVIDEND
An interim dividend of 5 sen less income tax at 30% has been declared in respect of the financial year ending 30th June, 1995, payable on Friday, 28th April, 1995. Duly completed transfers received by the Company's Registrars up to 5.00 p.m. on Tuesday, 11th April, 1995 will be registered to determine shareholders' entitlement to the Dividend.

COPIES OF THE COMPANY'S INTERIM REPORT
A copy of the Company's Interim Report will be posted to shareholders on 20th March, 1995. Copies will also be available from the Company's registered office and the Branch Registrar, Barclays Registrars, Bourne House, 34, Beckenham Road, Kent BR3 4TU, United Kingdom.

KUALA LUMPUR,
15th March, 1995

By Order of The Board
Norlin binte Abdul Samad
Secretary

INTERNATIONAL COMPANIES AND FINANCE

Qantas posts solid rise ahead of flotation

By Nikki Tait in Sydney

Qantas, the government-controlled Australian airline in which British Airways holds a 25 per cent stake, yesterday reported a much-improved profit of A$128.7m (US$95.8m) after tax for the six months to the end of December.

The results are likely to be the last before the carrier lines up for privatisation clearance in mid-year.

The figure compares with A$71.7m in the first half of 1993-94, and follows a much higher tax charge – A$74.2m compared with A$28.8m a year ago – but no abnormal items. Last time's figure was struck after A$37.4m in charges and write-downs, which have since been reclassified as abnormals.

At the operating level, Qantas reported a 47.1 per cent improvement to A$202.9m. This was after interest charges of A$82.4m, compared with A$94.7m, and on revenues of A$3.67bn, up from A$3.35bn.

Mr Gary Pemberton, chairman, said yesterday that the result was "exactly in line with expectations and where we hoped to be at this stage".

He warned, however, that Qantas was likely to revert to its "normal" seasonal pattern, when first-half results are stronger than the second term's, although he suggested the full-year figure should be "significantly up" on last time.

In the last full year, Qantas made an operating profit of A$301.8m and an after-tax profit of A$155.9m.

Qantas said about half the latest operating profit came from international operations, with the domestic, non-regional network contributing A$50.9m, and "subsidiary operations" – mainly catering and the regional airlines – making A$49.6m.

On the international front, there were improved profits on the US, New Zealand and UK routes, with the "kangaroo" routes to Europe moving into the black during the six months. Performance on the routes to Japan and south-east Asia was down on the 1993-94 half-year, but there were still "good returns".

Qantas also claimed operating profits had benefited by about A$24m from the alliance with British Airways, due to factors such as purchasing synergies.

The two airlines are seeking to establish closer "co-operation" on Australia-Europe routes, but have encountered opposition from the Australian Trade Practices Commission, the competition watchdog. Qantas said yesterday it expected a TPC ruling within the next few weeks.

Mr Pemberton said that first-half figures reflected the injection of around 10 per cent more capacity into the airline overall: on domestic operations alone, there was a 24 per cent increase. Yield, in terms of passenger revenue per passenger kilometre, rose from 10.58 cents to 10.83 cents for total group operations.

No date has been set for the flotation of the federal government's 75 per cent stake in Qantas, but it is likely to be in mid-1995. Mr Kim Beazley, the federal finance minister, yesterday said the government viewed the first-half result as setting "a good basis for the privatisation process".

There have been suggestions that some local institutions - whose support for the flotation will be essential, given the current 35 per cent cap on foreign ownership and the existing BA stake – are not enthusiastic about putting money into a notoriously cyclical industry.

However, the small fraternity of Australian analysts who follow airlines seemed fairly sanguine about yesterday's figure. "It's quite a reasonable result," said one.

Qantas sales revenue by area (A$m)

	1994-95 Interim	1993-94 interim
Passenger, freight, contract services		
Australia	1,664.1	1,395.1
UK/Europe	370.6	377.0
Japan	384.4	396.0
South-east Asia	345.9	319.5
America and the Pacific	236.3	214.9
Other areas	139.9	162.6
Other revenue		
Tours and travel	254.9	202.8
Miscellaneous	219.1	232.8

Source: company reports

HK markets celebrate delay in interest rate shake-up

Deferral of deregulation plans is seen as a victory for the colony's banks, writes Simon Holberton

A 3 per cent rise in banking group HSBC Holdings' share price in Hong Kong yesterday told analysts all they needed to know about the stock market's view of the government's decision to postpone further interest rate deregulation.

The deferral, announced on Tuesday by the Hong Kong Monetary Authority, the colony's central bank, was seen as an important victory for the colony's banks, which have fought deregulation since last February, when the Consumer Council produced its landmark report advocating abolition of controls on interest rates.

The council studied the operation of the Hong Kong Association of Banks' "interest rate agreement" and found that, in 1991, the accord extracted "monopoly rents" of HK$5.2bn (US$672.5m) from depositors.

After Tuesday's decision, a cynical analyst might note that the greatest source of monopoly profit identified by the Consumer Council was derived from demand and savings deposits, at HK$4.9bn. This is the very area where the HKMA has called a temporary halt to deregulation.

Mr David Carse, deputy chief executive of the HKMA, will have none of this. He says it is the responsibility of the authority to balance the need for stability in the financial system with the needs of deregulation. "It's a delicate tight-rope to walk," he says.

Mr Carse says the monetary authority was simply being prudent in seeking a deferral of the third stage of interest rate deregulation. "We have asked for a bit more time to consider the effects of deregulation so that we can make a rational decision," he says.

A number of matters concerned the authority, making it think twice about the somewhat demanding timetable it had originally set for full interest rate deregulation. The third and final stage – the relaxation on controls for deposits of one to seven days – was due to come into effect on April 1, but has now been put off until at least the autumn.

The authority was concerned about the pace of "migration" from controlled deposits to uncontrolled deposits. Since the end of September, when deregulation began, time deposits have risen nearly 18 per cent to HK$489.3bn. Over the same period, cheque account balances (on which interest is not paid) have fallen 9.4 per cent to HK$83.5bn and savings deposits (where controlled rates apply) have fallen 7.6 per cent to HK$250bn.

Mr Carse says that the pace of migration in January – when phase two of deregulation was introduced – was quicker than expected. Time deposits grew by more than 6 per cent during the month. This may have reflected the sharp rise in interest rates in the middle of the month, when the authorities were defending the Hong Kong dollar with higher rates, or the seasonal rise in notes in issue ahead of the Chinese new year.

The point is the HKMA is not sure why there was such large switching of money, and it wants longer to observe phase two – which took interest rate controls off deposits of a week to a month. "We want to see if January was a freak month," Mr Carse says.

The banks take a somewhat more dramatic view of the situation. Mr Ian Wilson, chairman of the HKAB, talks of a "higher element of risk" in the system due to deregulation. If the authorities were to move to full deregulation as planned, "the concern would be about the potential outflow of savings and cheque balances to an extent where the banks would be unable to cope with it", he says.

The deferral of the last, and most controversial, phase of interest rate deregulation has come at a time when banks' profits are under more pressure than they have been for many years.

Although, in general, 1994 was a good year for banks, Mr Carse says there was evidence of a slowdown in profit growth in the Hong Kong operations of banks.

Loan demand grew by only 5 per cent in the second half of 1994, compared with 11 per cent in the first six months of the year. "The demand you see is not for the loans you want to book," says Mr Werner Makowski, managing director of Dao Heng Bank, a medium-sized institution.

The cost of bank funding has also risen. Bankers report stiff competition for deposits and say it is not uncommon for their competitors to pay 1 or 2 percentage points above the Hong Kong interbank offered rate for 30 to 60-day money.

Mr Carse says that sort of bidding behaviour is independent of interest rate deregulation. "That's one of the consequences of competition," he says.

However, the central banker is aware that there is widespread community support for interest rate deregulation. Governor Chris Patten's office made it clear on Tuesday evening that deregulation was being deferred, not shelved.

"We're going to have to come up with something pretty convincing if we're going to stop deregulation," says Mr Carse.

Migrant dollars (HK$ m)

	30.09.94	30.11.94	31.12.94	31.01.95
HK$ current account*	92,184	91,774	90,211	83,478
HK$ savings account*	279,929	267,989	270,744	258,029
Time & notice deposits†	414,935	450,413	460,089	489,284

* still regulated; † deregulated deposits. Source: HKMA survey of 40 licensed banks

Santos confident despite profits dip

By Nikki Tait

Santos, the South Australian oil and gas company which has an interest in the UK's Anglia field, yesterday announced profits after tax but before abnormals of A$154.8m (US$115.3m) for 1994.

It also plans further investment in the UK gas production business.

The 1994 profits figure compares with a A$184.4m surplus in the previous year. Abnormals this time added A$35.6m to the bottom line, and were largely due to foreign currency exchange gains of A$66.3m at the pre-tax level. This gives a profit after tax and abnormals of A$190.4m, compared with A$219.3m in 1993.

Operating profit before abnormals and tax stood at A$249.8m, compared with A$289.2m, on revenues of A$728.3m, down from A$943.2m.

In spite of the dip, Santos said it had been a year of "strong all-round performance". It pointed out that the 1993 figure had been a record, and had been achieved when the average Australian dollar oil price was some A$4 a barrel higher than in 1994.

Exploration, it noted, had enjoyed "high success rates" last year, with a number of "promising" discoveries. Meanwhile, in the US, the Ewing Bank project was completed ahead of schedule and moved into production by the year-end.

Total production expanded by 2.5 per cent in 1994, to 37m barrels of oil equivalent, while gas sales were up 5.4 per cent.

Looking ahead, Santos said its exploration plans centred on the Timor Sea and Carnarvon Basin, and drilling to support existing onshore business in Australia.

It said its 1995 business plan provided for a further increase in production and sales volumes, and included "the acquisition of a UK gas-producing asset of similar scale to the interest acquired in Anglia during 1994".

McLeod recommends Swissair bid

By Nikki Tait and Motoko Rich

M. S. McLeod, which owns and operates Downtown Duty Free, Australia's largest chain of duty-free outlets, yesterday recommended that shareholders accept a bid of A$1.07 a share from Swissair. The bid capitalises the Australian company at some A$30m (US$22.3m).

Swissair increased its offer from 90 cents a share earlier this week, topping a rival A$1-a-share bid from UK-based Allders.

The European airline, which is bidding via subsidiary NDF Trading, also announced it had an option to acquire 19.9 per cent of McLeod's shares at the revised bid price. The option was sold by Outer Hebrides, a private investment holding company and McLeod's biggest single shareholder.

Mr Harvey Lipsith, chief executive of Allders, said the UK company was "considering its future action", but that it was "unlikely" it would raise its bid for McLeod.

He said Swissair's 19.9 per cent option would prevent Allders from gaining the "synergistic benefits" associated with owning 90 per cent of McLeod's shares.

The battle for McLeod, which has outlets at airports and in cities and tourist locations, began last year when Singapore-based Lion City Holdings made a partial offer for the stake held by Outer Hebrides.

Neighbours group seeks TV listings

By Nikki Tait

Grundy Worldwide, the Australian-based television production and distribution company best-known for bringing the *Neighbours* soap opera to viewers across the globe, is to float its shares on the New York and Australian stock markets.

The company said in a filing with the US Securities and Exchange Commission that it planned to sell at least 5.3m shares, or 35 per cent of its equity.

The indicated offering price range is US$18 to US$20, suggesting that around US$100m could be raised. The float has been underwritten by Merrill Lynch (Australia).

Although the shares will be listed in the US and Australia only, advisers to the company said stock would also be offered in Asia, the UK and continental Europe.

Mr Reg Grundy, the company's founder, will retain a stake of around 51 per cent in the group after the share sale, and other senior executives will hold smaller interests.

Grundy Worldwide is the holding company for a number of TV production and distribution companies. The Grundy Organisation subsidiary is one of Australia's largest independent production houses, and in addition to Neighbours produces *Sole of The Century*, *Family Feud* and *The Price is Right*.

Higher sales help David Jones

By Nikki Tait

David Jones, the Australian department store business which is part of the Adsteam group of companies, yesterday announced profits before interest and tax of A$61.2m (US$45.6m) in the six months to January 28, up from A$50.1m a year earlier.

The retailer is a candidate for a possible trade sale or stock market flotation, although it said that no decision had yet been made.

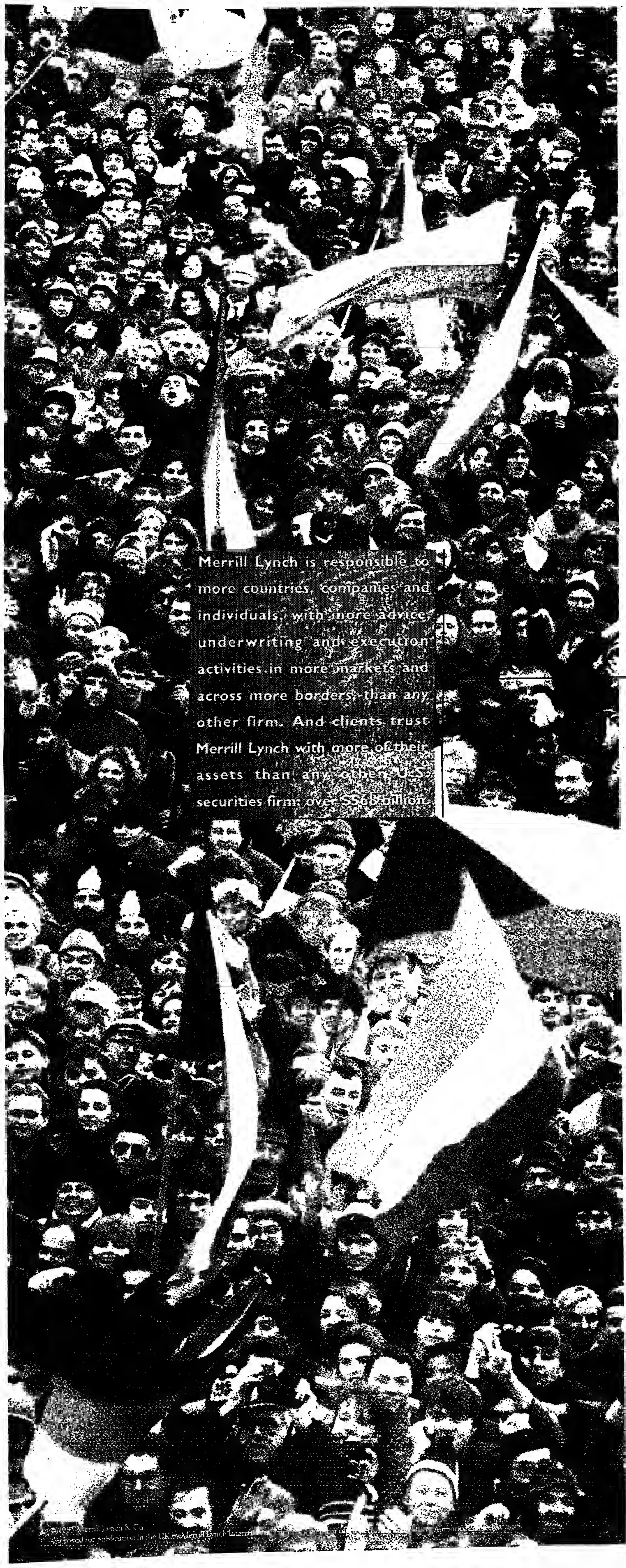
Sales were A$796.8m, compared with A$742.7m a year earlier, with same-store sales growing 7.7 per cent.

Adsteam, meanwhile, announced a net loss of A$4.04m in the half year to the end of December, compared with a A$56.7m deficit last time. The troubled investment holding company's result follows an abnormal gain of A$5.54m, against abnormal losses of A$56.7m a year ago.

● *Moody's*, the US rating agency, yesterday confirmed the long-term credit ratings of Coles Myer, Australia's largest retailer, at A2.

The agency said the decision was based on Coles' "recent reduction of debt that was incurred to fund the buy-back of 21.45 per cent of shares outstanding, and its improved operating performance".

The shares were bought back last year from Kmart, the US retailer.



THE DIFFERENCE BETWEEN BEING BULLISH ON AMERICA AND BULLISH ON THE WORLD

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But as the world grows closer, it also grows more complex. So, too, has Merrill Lynch evolved. With people and capabilities in place throughout the world, we have learned that competing in the global marketplace requires more than global resources–it requires global resourcefulness.

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Our clients know we are guided by our principles: client focus, teamwork, respect for the individual and our communities and, above all, integrity.

Today, our world is being brought together not simply by the mandate of nations, but by the power of individuals who allow themselves to hope for a better life. Nothing holds greater possibility than a world with hope for its own future.

Although the road may not be easy or quick, we believe we can help our clients achieve even greater success, in a world brought together by individuals with hope. We think that makes the difference–all the difference in the world.

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A tradition of trust.

Progress made across a wide front for enlarged publishing group

Reed Elsevier advances 16%

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch publishing and information group, marked the second year of its existence by announcing a 16 per cent increase in pre-tax profit from £534m to £620m ($1.02bn) on a turnover of a little more than £3bn, against £2.8bn.

Progress at the company, which bought the Lexis-Nexis database in December for £1.1bn, was across a wide front and there was a 1.8 point improvement in operating margins to 21.8 per cent.

The two chairmen, Mr Ian Irvine of Reed International and Mr Pierre Vinken of Elsevier, said progress had been made on strategic development, acquisitions had been successfully integrated and the base business had performed strongly.

Mr Irvine suggested yesterday that a range of smaller acquisitions would continne, possibly at the rate of £100m a year. But he did not rule out another deal on the scale of a Lexis-Nexis if one came along.

Operating profits rose by 19 per cent to £663m (£558m).

Earnings per share rose by 18 per cent to 44.1p (37.4p) for Reed International shareholders and by 17 per cent to Fl 0.93 (Fl 0.796) for Elsevier shareholders.

Reed shareholders will receive a total of 21.5p (18.75p) for the year while Elsevier's will receive a total of Fl 0.546 (Fl 0.519).

Mr Mark Bellby, media analyst at SJ Warburg, said: "What Reed Elsevier has shown is a tremendous sustainability of operating profit growth and a greater margin growth mncb more quickly than expected."

Large scale ownership of software and copyright material would allow the group to control the pace of technical change. Mr John Mellon, in charge of Reed Business Publishing, said it would deliver information by whatever method the market required – bicycle, CD-Rom or on-line.

The strongest growth in operating profit came in professional and business publications. Professional rose 23 per cent from £107m to £132m and business advanced 21 per cent from £185m to £224m. Consumer rose 16 per cent to £130m and scientific and medical, where there were some difficulties improved by 15 per cent to £177m.

Reed shares rose 26p yesterday to 745p and Elsevier was up from Fl 15 to Fl 15.7.

Trafalgar threatens to abandon new offer

By David Wighton and Peggy Hollinger

Northern Electric has bowed to shareholder pressure and said it would allow Trafalgar House to make a new bid for the company once the industry regulator's review bad been completed.

Trafalgar, however, claimed that this migbt not happen until the end of the year and said it would walk away if it did not get permission to launch an immediate bid.

Mr James Watkins, Trafalgar's legal director, said: "This does not put an offer on hold, it forces us to go away."

It is thought that Trafalgar will ask the Takeover Panel to waive rule 35 of the Takeover Code which prevents a bidder launching another offer within 12 months without the Panel's consent.

Northern dismissed Trafalgar's threat to walk away if consent is not given as "a bluff".

Following the announcement by the electricity regulator that be was considering tigbtening price controls, Trafalgar lapsed its £11 a share bid for Northern on Friday and said that it wanted to launch a new bid at 950p.

However, Northern said it would not give its agreement for the new bid to proceed. Under the exemptions to rule 35 Northern's consent would have allowed the offer to go ahead.

Northern's sbarebolders reacted angrily to Northern's blankat refusal with more than 50 per cent calling for a lower bid to be made.

Yesterday Northern climbed down and said it would agree to a new offer being made "after the present uncertainty has been removed by the resolution of the regulatory position currently under review".

Most of its sbarebolders declared tbemselves satisfied with the concession yesterday. "It is a very sensible response," said one. "It pays full attention to the principle in the Takeover Code that shareholders should have sufficient information to make a judgment."

Others, however, said Northern's directors were abusing their powers. "They should stand aside and let shareholders decide."

LEX COMMENT

Deferred tax

The Accounting Standards Board's tax bombshell comes with a delayed action fuse: it will be the end of next year at the earliest before today's discussion paper evolves into a new accounting standard. Nevertheless the ASB's proposals will send finance directors scurrying for shelter.

The ASB rightly favours requiring companies to make full provision for deferred tax, a commonsense approach which is consistent with international practice. It will irritate some because it eliminates the flexibility inherent in current accounting rules, which allow companies to manipulate discrepancies between tax and financial accounting to the benefit of reported earnings. Under the new proposals many companies will see reported earnings badly bit. Whether this is anything more than a cosmetic accounting adjustment depends on whether the higher tax charge translates in time to a higher tax bill.

This will happen if companies have to scale back capital expenditure, thereby losing allowances they had thought would shelter tax liabilities. Some will legitimately complain that the payment of the tax will be indefinitely deferred. They should be allowed to take credit for this by discounting tha deferred tax to take account of when it is to be paid – something about which the ASB has not yet reached a conclusion. Provided discounting is used, the new treatment will giva investors a fairer and more prudent picture of potential tax liabilities than the current out-of-date rules.

Improved performance in ECC's core activities

By Tim Burt

English China Clays, the speciality chemicals and minarals group, announced a 22.2 per cent increase in underlying profits for 1994 following a hefty restructuring of its European minerals business.

The group, which last year demerged Camas – its construction materials division – said the benefits of large job cuts and increased salling prices helped push profits on continuing operations up from £89.7m to £109.6m ($179.7m).

A reduced three-month contribution from Camas, however, together with £4.4m of rationalisation costs and a £1.6m loss on disposals, pegged pre-tax profits at a more modest £93m, against £87.9m.

Mr Andrew Teare, chief executive, claimed the group's true performance was reflected by improved results in its core businesses: manufacturing speciality chemicals and industrial pigments, ceramics and paints in Europe and Nortb America.

"Profits at ECC International hava risen 38 per cent in Europe and we've passed on price increases of 3 per cent across the board," he said.

Some analysts blamed the fall in the shares, down 21p to 398p, on market confusion at tbe distorting effects of demerging Camas.

"A few brokers were disappointed but the underlying picture is fairly strong," said one.

Mr Teare said profits at ECCI Europe, where the workforce was cut by 11 per cent to 3,800, rose from £38.8m to £56m, while in North America and the Pacific Rim it maintained profits at £35.4m (£35.6m).

A maiden full-year contribution from Calgon – the former Merck subsidiary acquired for £202m in 1993 – lifted profits in speciality chemicals from £7.2m to £13.7m. The division, expanded last autumn with the $45.4m (£27.6m) acquisition of EZE Products – the US speciality chemicals business – is likely to be enlarged further with a similar-sized takeover in Europe, Mr Teare added.

Allied Domecq trading on target

By Roderick Oram, Consumer Industries Editor

Allied Domecq said yesterday its second half trading performance was in line with expectations despite difficult conditions for spirits in Japan and eastern Europe.

The drinks and retailing group expected to report "further progress" in profits and earnings and lower gearing when it reports results for the year to March 4 on May 16. It is changing its financial year end from March to August 31.

The City is expecting pre-tax profits of about £710m for the period, against £624m, thanks mainly to a full first-time contribution from Domecq, the Spanish spirits group.

The impact of the peso's devaluation on Domecq's Mexican operations was too early to quantify, the group said. It has raised prices on domestic and foreign brands but sales volumes for 1995 will hinge largely on the Christmas quarter. Domecq's results will also suffer from some cnrrency translation depending on how the peso fares between now and the financial year-end.

Teacher's Scotch whisky achieved volume and market share gains in the UK. The overall market was difficult during Christmas, however.

Teacher's overall volumes were lower because of difficulties in eastern Europe. Spirits and wines were ahead despite difficulties in achieving price increases. Japan was also "a notably tough market".

Beer volumes were ahead at Carlsberg-Tetley, the UK joint venture with the Danish brewer, but margins slipped.

Gearing is expected to fall from 78 per cent to about 63 per cent. The group plans a second interim pay-out in the form of a foreign income dividend.

Schroders 'unlikely' to buy UK securities broking firm

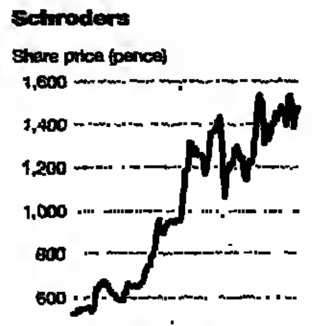
By John Gapper, Banking Editor

Schroders, the UK investment banking group, yesterday said that it was very unlikely to buy a UK broking firm such as Smith New Court in order to gain the ability to distribute securities in Europe.

Schroders axecutives said that if it decided to set up a European securities broking arm it would probably do so gradually by hiring staff. However, they emphasised that primary operations would remain predominant.

The group reported level pre-tax profits of £195.4m for the year to December 31, compared with £195.8m for 1993. A £29m drop in investment banking profits was matched by a £29m rise in profits from fund management activities.

A final dividend of 14.5p (12.5p) was recommended, making a 24 per cent rise in the total to 20.5p (16.5p). It also proposed a 1-for-2 share issue by capitalising £64m of reserves, which is intended to increase liquidity.



Source: Datastream

Mr George Mallinckrodt, chairman, said tha group had a spread of businesses "to protect ourselves as much as possible from the vicissitudes of the markets". Some 75 per cent of operating income came from fees and commissions.

Investment banking profits fell from £139m to £110m. There were total losses of more than £10m from securities trading in Europe and Asia, trading of US mortgage-backed securities, and the trading of securities on behalf of US customers.

Mr Win Bischoff, chief executive, said that losses in the single figure millions in tbese three activities were "quite serious enough for us". He said Schroders was likely to withdrawn from trading mortgage-backed securities.

The balance sheet expanded from assets of £7.8bn to £11.4bn following acquisition of the 57.5 per cent stake in its US arm, Wartheim Schroder, which it did not already hold. The purchase resulted in a £45.7m goodwill write-off.

Costs rose from £272.5m to £324.5m, not including those of Wertheim Schroder. This was partly due to expansion of staff in fund management operations, as well as a provision against a long-term bonus scheme for employees.

Mr Bischoff said that greater resources would be put into asset management, but the group had no plans for substantial growth in new areas. "There is a lot for us to do in simply running our existing businesses better," he said.

O'Reilly could take half of Arcon issue

By Kenneth Gooding, Mining Correspondent

Mr Tony O'Reilly, chairman of the HJ Heinz foods group, could be taking up about half of a I£41.5m rights issue by Arcon International Resources, the Dublin-based company that is developing Ireland's first base metal mine for 20 years.

He has given an irrevocable undertaking to take up all of the rights in respect of his present 22 per cent stake at a cost of I£9.7m, and is underwriting a further I£12.3m of the 15-for-4 issue at 20p a share. This might lift his interest to more than 30 per cent.

IBI Corporate Finance is underwriting the balance of the issue.

Arcon shares dropped from 41p to 26p on Tuesday after the company confirmed a rights issue was on the way. They recovered to 27p yesterday.

The lead-zinc mine at Galmoy, County Kilkenny, will cost I£75m. Arcon previously signed a $60m limited recourse finance facility with Irish and international banks. The rights issue will finance the balance and operating costs for the project and also allow it to repay most of its existing debt.

AAH core growth criticised

By David Blackwell

AAH, the drugs distributor and retailer, was yesterday accused of underperformance in its core pharmaceutical wholesaling business.

Gehe, the German drugs wholesaler which is offering £377.4m ($619m) for AAH, has followed up its offer document of earlier this month with a letter from Mr Dieter Kämmerer, chairman, to all shareholders.

The letter comes just ahead of AAH's defence document, expected tomorrow. Among other criticisms, it says that over the last four years growth in operating profits at AAH's pharmaceutical wholesaling subsidiary has been 12 per cent, against 115 per cent at UniChem, which also has 30 per cent of the UK market.

Mr John Padovan, AAH chairman, said he saw "absolutely nothing of substance in this circular. Our own document will very clearly show the inadequacy of their opportunistic effort".

Marley at £59m after surge in UK and US housebuilding

By Andrew Taylor, Construction Correspondent

Helped by a surge in UK and US housebuilding, which saw brick and block sales volumes and prices rise on both sides of the Atlantic, Marley, the building products and automotive components group, bounced back into the black last year making pre-tax profits of £58.7m ($96.3m) after a £2m loss in 1993.

The previous year's figures, however, were depressed by a £32.8m write-down following the disposal of Marley's brick operations in an asset swap with Tarmac, the UK construction conglomerate.

Mr Chis Beenham, Marley's finance director, said a better guide to last year's performance was a 61 per cent increase in pre-tax profits to £47.8m (£29.7m) before gains and losses from land sales and business disposals.

Operating profits from concrete and clay products more than trebled from £5m to £16.1m.

Plastic building products, pipes, mouldings and floorings, which account for almost half of group sales and nearly 60 per cent of profits, had a more mixed year. Volume sales increased im most markets bnt margins were hit by a 40 per cent rise in PVC raw material prices.

UK operating profits increased by more than half to £21.4m (£13.7m). US profits rose by a similar proportion to £12.2m. Continental European profits were £11.5m (£11.7m); Africa £4.2m (£3.8m); Australasia £4.9m (£3.8m).

Net borrowings of £76.3m (£107.2m) represented gearing of 31 per cent (50 per cent).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baynes (Charles)	Yr to Dec 31	144.8	(91.2)	12.7	(8.22)	4.63	(3.71)	1.3	-	1.075	2	1.65
Church	Yr to Dec 31	76.6	(74)	3.59♠	(3.2)	20.7	(17.4)	10.75	May 8	10	13.75	13
Computer People	Yr to Dec 31	97.7	(68.7)	0.391L♠	(1.1)	7.76L	(4.37)	2†	June 12	1.5	3	1.5
Emess	Yr to Dec 31	145.1	(131.2)	6.4	(4)	0.1	(1.5L)	0.1	May 22	0.1	0.1	0.1
English China Clays □	Yr to Dec 31	1,041	(1,131)	93♠	(87.9♠)	20.05	(20.34)	10.9	June 13	13.4	16.25	20
Heywood Williams	Yr to Dec 31	519.6	(365.6)	33.1	(35.2♥)	21	(33.7)	8.8	May 2	8.5	13.8	13
Holliday Chemical ■	Yr to Dec 31	132.9	(105.2)	19.3	(13.1)	14	(11.4)	3†	May 8	2.4	5	4
Jacobs (John I)	Yr to Dec 31	8.64	(2.84)	0.97L	(0.5L)	3.6L	(2.3L)	0.75	May 12	1.4	1	1.9
Lambert Howarth	Yr to Dec 31	72.1	(62.6)	1.73	(1.42♠)	13	(12.5)	4.85	May 18	4.625	7.1	6.875
Marley	Yr to Dec 31	666.8	(622)	58.7♥	(2L♠)	15.2	(4.6L)	2.6	June 5	2.1	4.7	4.2
Nichols (Vimto)	Yr to Dec 31	56.3	(49.4)	8.07♥	(8.65)	15.13	(14.98)	3.9	May 15	3.6	6.15	5.76
Northern Leisure	6 mths to Feb 26	11.6	(11.7)	1.63	(1.03)	3.7	(3.4)	2	June 1	nil	-	2
Premier Cons	Yr to Dec 31	48.9	(45.9)	14.1	(13.3)	1.64	(0.23)	-	-	-	-	-
Psion §	Yr to Dec 31	61.3	(41.2)	6.55♥	(3.03)	18.48	(9.14)	2.4	-	1.8	3.5	2.8
Reed Elsevier	Yr to Dec 31	3,035	(2,796)	620♥	(534♥)	44.1	(37.4)	14.8	May 31	12.75	21.5	18.75
Reed Elsevier	Yr to Dec 31	3,035	(2,796)	620♥	(534♥)	0.93‡	(0.796‡)	0.37‡	May 31	0.352‡	0.546‡	0.519‡
Schroders	Yr to Dec 31	616☆	(479.9☆)	195.4	(195.8)	102.5	(109.2)	14.5	May 5	12.5	20.5	16.5
Select Inds §	6 mths to Dec 31	0.6	(0.46)	1.02L	(1.03L)	0.45L	(0.45L)	-	-	-	-	-
Steel Burrill Jones	Yr to Dec 31	45	(45.2)	7.51♠	(0.52L♠)	9.52	(1.27L)	8	May 26	8	9	9
Try	Yr to Dec 31	130	(124)	0.62	(2.17L♠)	0.8	(5.11L)	0.5	July 3	nil	1	0.5
Wyefield	8 mths to Dec 31	9.07	(4.4)	0.57	(0.17)	1.8	(1.9)	0.5†	June 8	nil	nil	nil

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Kleinwort Smaller	Yr to Jan 31	136.5	(168.1)	0.285	(0.446)	2.18	(3.38)	1.1	May 19	2	2.2	3.5

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. □ Comparisons restated. ■ Comparisons pro forma. †On increased capital. §USM stock. ‡Dutch guilders. ☆ Operating income.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 granted to Liberty Communications Limited.

1. The Secretary of State hereby gives notice:
   (a) that he has duly reconsidered the proposals in respect of which he published a notice on 9 December 1994 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant a licence under the Act to Liberty Communications Limited, formerly Millicom Holdings (UK) Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom;
   (b) that he has granted such a licence ("the Licence") to the Licensee, being a licence which includes conditions such that section 8 of the Act applies to it, thereby making the Licensee eligible to have the telecommunications code contained in Schedule 2 to the Act applied to it under section 10 of the Act;
   (c) that he has applied the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of these exceptions and conditions is that the Licensee has duties:
      i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
      ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;
      iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
      iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the Licence to the powers under the Code; and
      v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
2. The Secretary of State has applied the Code to the Licensee:
   (a) because the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licence;
   (b) subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
3. The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in the Licence.
5. Copies of the Licence may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £12.00 postage and packing free.

Alan Proud
Department of Trade and Industry

16 March 1995

COMMODITIES AND AGRICULTURE

London gold price recoils from fresh 4-month high

By Richard Mooney

The London gold price set a fresh four-month high yesterday before once again recoiling *from strong* overhead resistance.

After reaching $386.60 a troy ounce at the morning "fix" the market pushed on to $387.80. It retreated to $386.15 at the afternoon fix but by the close was back to morning level. In late trading at the New York Commodity Exchange (Comex) the April delivery futures position was quoted at $387.50 an ounce, up 30 cents on the day but $1.40 off the morning high.

London traders said the market found resistance at just under $388 and one suggested it could retrace to $385. But that was before renewed dollar weakness encouraged the late afternoon rally.

New York traders said, however, that the fall in the dollar had played little part in the rise in their market. "I think a lot of people have already factored in weakness in the dollar," one told the Reuters news agency.

Neither was there much reaction to US economic data released in the morning, including modestly higher than expected industrial production and capacity use figures.

Cash traders said producer selling had moderated after good volumes seen in rallies earlier in the week, although one expected a pick-up in selling if cash prices exceeded $388 an ounce.

One floor trader noted, however, that stop-loss buying orders were rumoured to be waiting above $389.30 an ounce in the April contract.

Prospects look bright for India's coconut fibre

Increased overseas demand for coir has come as a pleasant surprise to the industry, writes **Kunal Bose**

Steady growth in overseas demand for Indian coir *products has* come as a pleasant surprise to the Coir Board and exporters of the hard fibre, who admit to having done little promotional work for the market.

The European Union and the US, the destination for nearly 85 per cent of India's coir exports, are in the future expected to lend even stronger support to coir products, which are inexpensive and environment-friendly, according to Mr E.B. Unni, chief executive of Aspinwall Group, which has been engaged in coir production and export for more than 100 years.

Mr K. George Joseph, chairman of Coir Board, is confident that *exports* in *the* year to March 31 will earn at least Rs1.5bn ($47m), compared with Rs1.3bn in 1993-94. By December 1994 India had exported coir goods *worth Rs1.2bn. The* volume of exports is expected to rise to 45,000 tonnes from 38,000 tonnes last year.

"What we find satisfying is that along with the volume growth, the unit value realisation in most prodncts is improving. The rise in export in the last few years has reinforced our faith in the commodity," says Mr Unni.

While Indonesia is the largest producer of coconuts (coir is the fibre covering the outer husk) and the Philippines' production is almost as much as India's, it is only in India that the coir industry *has* flourished, its annual output of about 240,000 tonnes accounting for about three quarters of the world total.

"The competition for Indian coir products is only to the extent that coir goods are produced in some European countries from imported fibre and yarn," says Mr Unni. "Sri Lanka is a *volume exporter* of coir fibre, but our focus is on adding value to the fibre."

Lack of cash has prevented the board from promoting the products abroad to the degree exporters would have liked. It has, however, played important part in disseminating the results of fibre processing and product development work at the laboratories of the Central Coir Research Institute and the Central *Institute of Coir* Technology. It has also provided extension services in spinning, dyeing and bleaching to the factories and set standards for coir products.

"It was a long time ago that most of the big coir factories *folded* up *one after another as* the workers got unionised and the trade union movement turned militant. Now we have got over 5,000 manufacturing *units, most of them in the co*-operative sector, which need our assistance in getting fair prices for the coir products and modernising their operation," said Mr Joseph.

"The poorest of the Indian poor are engaged in the coir fibre extraction and manufacture of coir products. They need an agency to look after their interest. They cannot find alternative employment. We have been very careful in introducing the right kind of machines for fibre extraction, yarn spinning and weaving.

"Our initiative has reduced the drudgery of workers and improved their productivity and income." Mr Joseph pointed out.

Mr Joseph said that under the archaic wheel (charka) *spinning system*, two workers carrying loads of fibre and facing the wheel, operated by a third worker, walked backward and forward for at least 15km a day and earned only Rs25 each. About six months ago the motorised ratt was introduced, making the spinning of coir fibre a simple job and allowing the operator to earn up to Rs75 a day. "With a traditional wheel, three persons produce about 15kg of fibre e day, whereas *one skilled* operator can produce the same quantity with a motorised ratt."

> 'The poorest of the Indian poor are engaged in the coir fibre extraction and manufacture of coir products'

The yarn produced by a motorised ratt is, moreover, of *superior quality and fetches a* higher price.

A recent development relating to the extraction of fibre from the husk and its retting (softening) in concrete tanks instead of in lagoons and ponds holds the promise of giving a big boost to the industry.

Under the traditional retting system, the mature coconut busks are kept in water for up to 10 months before they are taken out for fibre extraction. The long period of retting leaves the water in the lagoons and ponds polluted.

Now, instead of the labourers beating husks with sticks to extract the fibre, the unretted husks are run through a defibering machine. The brown fibre extracted becomes lustrous white fibre after it is retted for 72 hours in e concrete tank.

"The use of a bacteria developed et the Central Coir Research Institute drastically reduces the period of retting. Moreover, under the new system only the fibre is retted and not the whole husk, which contains two-thirds coir pith or waste. What also adds value to the the new retting system is that the waste water in the tanks can be treated," said Mr Joseph.

According to the co-operative officials, once the new retting practice becomes popular the industrial utilisation of husks, *now placed* at *around* 25 per cent of the total availability, will increase considerably.

The euthorities refrained from pushing the growth of the coir industry because a solution could not be found to the disposal of coir pith, a light fluffy material that gets blown by the wind. Along the lagoons and creeks of Kerala, coir pith has accumulated in "frighteningly large proportions", said a co-operative official.

"We don't know what to do with the waste material. As we produce 1kg of coir fibre we get 2kg of coir pith. Attempts were made to burn the waste material, but it burns very slowly and emits e large volume of smoke over days, creating a big health hazard."

Mr Joseph said the Tamil Nadu Agriculture University had developed a fungus called "pithplus", which along with urea could compost coir pith into organic manure, which is particularly recommended for plantation crops.

"What has been regarded for over a century as a polluting waste material can now be sold as nutrient at around Rs700 a tonne. The breakthrough in waste ntilisation will lead to an improvement in *the utilisation* of coconut husk," he added.

Sri Lanka and the other coconut producing countries are said to be watching with interest developments in coir retting and coir waste utilisation in India. As the more than 500,000 workers engaged in coir production look forward to improved working conditions and better pay, the few large *surviving coir units have formulated* a strategy to get a fair share of the fast-growing global geotextile market.

Fabrics made of natural fibres like jute, coir and sisal have a share of about 5 per cent of the geotextile market of 800m sq m. Global demand for geotextile will he more than 1bn sq m by 2001. The coir as well as jute goods manufacturers believe they will do better in the geotextile market, which allows a high degree of value addition, if they go for blending of jute with coir.

The UN Development Programme has extended a line of credit to Aspinwall to finance suitable modifications in the coir and jute machines to allow "a perfect blending of the two natural fibres in geofabrics".

"Synthetics dominate tha geotextile trade. But our surveys of the European and the US markets show a growing preference for the natural textile, which after biodegradation leave welcome cellulosic nutrients in the soil," said Mr Unni. "The blending of coir, which is a strong fibre and takes up to three years to degrade, with jute, which is a softer fibre and dissolves within nine months, *improves the quality of natural* geotextile. Coir and jnte already have their independent presence in the lower end of the geotextile market like mesh mattings used for soil erosion control. We are now developing heavier and sturdier products for geo engineering applications like building of roads, bridges and laying of railway lines." Demand for engineering geotextile is *estimated at 600m sq m*.

Jute and coir have a high degree of moisture retention capacity and, therefore, are the "ideal natural fibres for making agrotextile", which is used in nurseries, steep land farming, turf preparation, horticulture and social forestry, said Mr Unni. There was already a fairly organised market for agro textile in Europe and the US, he said, and the prospects looked bright *in* west Asia, where the greening of desert was getting "more and more attention".

US producer makes move into Russia

By Kenneth Gooding, Mining Correspondent

Homestake Mining, third-largest North American gold prodncer, is making its first, *tentative move into* Russia, which may eventually lead to it controlling development of an open pit gold mine at Pokrovskoye in the Amur region of the republic.

Pokrovskoye has provan reserves of 2m troy ounces of gold and is *capable of supporting* a 200,000-ounces-a-year mine while offering considerable potential for edditional exploration, according to Zoloto Mining, Homestake's potential partner.

Nevertheless, the company is adopting a very cautious approach because of political and other uncertainties.

Mr Gene Elam, Homestake's chief financial officer, said: "We have deliberately tried to limit our exposure in Russia but this gives us a way of participating in a project with apparent merit. We are not prepared to make any major capital commitment to Russia at the moment but we recognise *that* there are *many* gold deposits there with considerable potential".

The deal with Zoloto would "allow us to gain experience with local and central governments in Russia. Later on we might be willing to look at something larger".

Homestake has taken an option to evaluate the deposit at Pokrovskoye, 22km from the Trans Siberian Railway and *just 1.6km from* the planned Trans Siberian Highway. It has *the right to acquire 5 per cent* of Zoloto for US$1m. It can also increase its shareholding to 67 per cent for an additional $15m and the rigbt to direct *operations* at Pokrovskoye.

Mr Elam said Homestake, which last year prodnced 1.696m ounces of gold, expected the technical evaluation to go smoothly because "one thing we have learned about the CIS is that a lot of good work was *done on* gold *reserves*. We expect the reserve figure to be verified".

Zoloto is owned by Tokur Zoloto, a company listed in Moscow, and by Peter Hambro, the UK mining finance house, together with other investors. *At present it is earning a* 75 per cent interest in the operating company licensed from Tokur Zoloto and the Russian government to develop the Pokrovskoye deposit.

Mr Hambro, chairman of the UK company, said he was delighted to have "pulled together in one package" a Russian venture attractive to Homestake. The US group already had suggested that *much of what* was previously considered to be overburden – or waste to be removed before a pit could be started – might actually be capable of being heap-leached to extract the gold content of about 0.8 grams a tonne. If that was possible, it *would improve the economics* of an already attractive project by reducing the capital requirement from US$90m to $60m and bring forward gold *production from 1998 to 1996*.

June launch for yield futures

By Laurie Morse

The Chicago Board of Trade will launch its Iowa maize yield insurance futures and options contracts on June 2, in time for use in this summer's *planting season*. The crop insurance contracts are being offered on an experimental basis, and are designed to give companies engaged in merchandising, trading, and transporting US maize a means of hedging the size of the crop.

The CBoT's existing maize futures contracts allow market users to hedge or speculate *only* on *prices. If successful*, the new contract will be joined by similar ones on wheat and maize elsewhere in the US.

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1765-66	1807-8
Previous	1827-27.5	1869.5-70.0
High/low	1794	1842/1806
AM Official	1793-94	1836-37
Kerb close		1806-8
Open int.	208,644	
Total daily turnover	43,384	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1785-95	1810-20
Previous	1815-20	1840-45
High/low		1830/1810
AM Official	1790-800	1800-20
Kerb close		1800-10
Open int.	2,671	
Total daily turnover	1,240	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	567-68	581-81.5
Previous	576.5-77.0	591-92
High/low	579/578	592/581.5
AM Official	579.5-80.0	590-90.5
Kerb close		591-2
Open int.	37,858	
Total daily turnover	8,010	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7435-40	7565-70
Previous	7570-75	7725-28
High/low		7680/7540
AM Official	7515-20	7658-60
Kerb close		7540-45
Open int.	53,789	
Total daily turnover	8,337	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5350-60	5420-30
Previous	5525-30	5600-10
High/low		5480/5420
AM Official	5360-70	5435-45
Kerb close		5455-60
Open int.	19,716	
Total daily turnover	4,047	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1005-6	1032-33
Previous	1025-26	1053-54
High/low	1017/1018	1046/1028
AM Official	1016-16.5	1042-42.5
Kerb close		1028-30
Open int.	67,118	
Total daily turnover	14,151	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2896-97	2896-97
Previous	2936.5-37.0	2926.5-27.5
High/low	2916/2913	2917/2892
AM Official	2915-16	2914-15
Kerb close		2887-8
Open int.	233,921	
Total daily turnover	55,102	

■ LME AM Official £/$ rate: 1.5876

LME Closing £/$ rate: 1.6030

Spot:1.6027 3 mths:1.6014 6 mths:1.5981 9 mths:1.5941

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	139.75	-0.75	140.50	139.50	4,794	1,274
Apr	136.50	-0.65	136.50	136.40	1,697	0
May	133.90	-0.90	135.15	133.70	23,130	7,540
Jun	131.90	-0.70	132.80	132.60	614	32
Jul	130.25	-0.25	131.20	130.10	6,196	1,008
Aug	128.45		-	-	371	5
Total					45,916	9,812

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	386.40-386.80		
Opening	386.10-386.50		
Morning fix	386.60	243.889	453.211
Afternoon fix	386.15	242.460	449.710
Day's High	387.60-388.00		
Day's Low	385.60-386.00		
Previous close	384.70-385.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.23	6 months	4.87
2 months	4.43	12 months	5.26
3 months	4.57		

Silver Fix	p/troy oz.	US cts equiv.
Spot	298.40	473.00
3 months	302.40	479.00
6 months	307.40	486.00
1 year	319.15	501.70

Gold Coins	$ price	£ equiv.
Krugerrand	382-395	247-250
Maple Leaf	397.95-400.45	
New Sovereign	90-93	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	386.2	+0.6	386.2	385.7	2	-
Apr	387.2	+0.5	388.9	386.9	65,491	21,072
Jun	390.1	+0.5	391.9	389.8	28,407	4,003
Aug	393.4	+0.6	395.0	393.9	16,220	890
Oct	396.8	+0.6	397.3	396.8	4,764	10
Dec	400.4	+0.7	401.7	400.4	12,965	176
Total					167,988	26,772

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	423.6	+0.6	427.0	422.5	14,728	1,864
Jul	425.1	+0.7	428.5	424.0	7,855	506
Oct	428.1	+0.7	430.5	427.5	1,830	131
Jan	431.3	+0.7	432.0	431.3	679	1
Total					24,892	2,502

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	162.45	+1.45	164.00	160.50	34	5
Jun	164.45	+2.85	165.00	161.50	5,614	313
Sep	165.70	+2.95	166.50	164.50	494	16
Dec	167.00	+2.95	-	-	105	-
Total					6,247	334

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	472.4	+4.3	472.4	471.5	95	4
Apr	474.0	+4.2	-	-	1	1
May	476.2	+4.2	480.0	472.5	65,544	12,250
Jul	481.0	+4.2	485.0	479.0	14,659	880
Sep	486.7	+4.2	488.5	484.5	11,234	92
Dec	494.6	+4.2	496.0	493.0	16,188	100
Total					131,101	13,164

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	18.05	+0.11	18.08	17.82	53,975	45,207
May	18.03	+0.09	18.07	17.85	66,908	31,778
Jun	18.00	+0.06	18.04	17.88	51,227	14,114
Jul	17.94	+0.05	17.98	17.84	29,496	5,858
Aug	17.88	+0.04	17.91	17.83	12,860	2,339
Sep	17.86	+0.05	17.90	17.84	23,703	2,044
Total					363,986	111,611

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	16.55	+0.09	16.58	16.36	44,369	21,872
May	16.54	+0.18	16.54	16.38	44,289	21,553
Jun	16.53	+0.05	16.53	16.37	15,556	3,410
Jul	16.43	+0.03	16.47	16.32	14,316	1,504
Aug	16.42	+0.09	16.44	16.33	7,842	598
Sep	16.30	-0.04	16.32	16.27	3,571	770
Total					158,235	51,604

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	44.75	+0.41	44.90	44.05	33,972	21,629
May	45.30	+0.32	45.40	44.60	28,093	10,568
Jun	46.00	+0.37	46.00	45.50	14,281	3,117
Jul	46.85	+0.37	46.85	46.50	12,526	3,462
Aug	47.50	+0.42	47.50	47.35	8,686	1,741
Sep	48.50	+0.52	48.50	48.15	4,279	1,341
Total					128,591	46,728

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	144.00	+0.50	144.25	142.75	40,056	5,303
May	144.25	+0.25	144.50	143.25	18,190	2,611
Jun	145.00	+0.50	145.00	143.75	9,934	1,269
Jul	146.75	+0.25	146.75	145.50	6,817	798
Oct	152.50	-	152.75	151.75	1,827	-
Dec	156.25	-	155.50	155.50	8,365	357
Total					91,364	10,517

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	1.497	+0.027	1.504	1.470	24,736	8,624
May	1.545	+0.022	1.560	1.523	30,812	6,089
Jun	1.590	+0.023	1.600	1.570	13,396	1,355
Jul	1.640	+0.025	1.650	1.630	14,090	636
Aug	1.667	+0.027	1.670	1.660	12,553	1,411
Sep	1.677	+0.026	1.679	1.670	12,519	993
Total					169,471	22,286

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	53.45	+0.68	53.90	52.10	24,243	15,563
May	53.85	+0.37	54.05	52.95	21,485	9,867
Jun	53.90	+0.28	54.10	53.55	9,239	2,081
Jul	54.00	+0.13	54.25	54.00	5,737	898
Aug	53.90	+0.23	54.10	53.90	1,936	87
Sep	53.45	+0.63	-	-	2,159	12
Total					67,917	29,389

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	112.15	+1.15	112.50	111.50	150	71
May	113.20	+1.05	113.90	172.65	1,957	214
Jul	114.55	+1.35	115.10	114.00	408	36
Sep	101.45	-1.10	101.75	101.05	235	13
Nov	102.35	+0.60	102.85	102.00	2,378	155
Jan	104.20	+0.55	104.20	104.00	506	3
Total					5,920	495

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	351/0	+4/4	353/0	348/0	457	225
May	349/4	+4/6	350/6	346/2	26,736	6,056
Jul	336/2	+2/6	337/0	333/0	27,333	6,743
Sep	340/6	+2/6	342/0	339/0	2,905	853
Dec	351/6	+2/6	353/0	349/4	2,552	161
Mar	357/0	+3/4	357/0	356/4	78	56
Total					60,088	14,094

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	242/2	+1/2	242/4	240/4	4,716	1,386
May	248/4	+1/2	249/0	246/6	113,718	18,248
Jul	254/6	+1/4	255/2	252/8	100,925	8,548
Sep	258/2	+1/4	258/4	257/6	19,696	2,098
Dec	262/2	+1/2	262/4	260/6	84,404	13,962
Mar	268/4	+1/2	268/6	267/0	8,347	494
Total					338,705	45,010

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	107.25	+1.05	-	-	38	-
May	107.00	+0.50	-	-	160	-
Sep	99.40	+0.65	99.40	99.40	102	3
Nov	102.00	+0.75	102.00	102.00	466	1
Jan	104.00	+0.75	-	-	170	-
Mar	105.80	+0.80	-	-	108	-
Total					890	4

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	576/4	+8/0	576/6	568/4	3,137	3,847
May	585/6	+7/4	587/0	578/6	50,869	20,187
Jul	595/2	+8/0	597/6	588/0	46,193	6,986
Aug	600/4	+7/6	602/0	594/4	5,791	548
Sep	604/0	+8/6	604/0	596/4	3,485	443
Nov	611/2	+8/0	612/0	604/2	28,196	3,804
Total					139,160	36,301

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	28.25	-0.21	28.74	28.21	6,139	3,331
May	28.97	-	27.30	26.96	42,002	16,851
Jul	26.67	+0.03	26.88	26.65	24,422	6,594
Aug	26.47	+0.02	26.68	26.47	6,882	859
Sep	26.30	-	26.45	26.28	6,080	518
Oct	26.18	+0.06	26.30	26.05	6,996	144
Total					106,928	38,982

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	162.4	+2.7	162.5	158.5	1,501	386
May	166.0	+2.7	166.3	162.7	37,743	15,407
Jul	170.6	+2.7	171.0	167.5	28,193	8,742
Aug	172.4	+2.6	172.8	169.6	8,157	554
Sep	174.3	+2.5	174.8	171.8	6,290	457
Oct	175.6	+2.5	176.0	173.0	9,541	168
Total					103,928	25,170

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	296.3	-4.2	300.0	296.3	595	14
May	345.0	-2.5	350.0	340.0	86	2
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					739	30

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	2305	+37	2310	2265	382	0
Apr	2300	+25	2310	2285	1,101	174
May	2240	+20	2254	2200	778	175
Jul	1995	+15	2010	1990	915	86
Oct	1965	+5	1995	1965	1,088	87
Jan	1930	+48	1945	1920	220	98
Total					4,484	609

	Close	Prev
BFI	2239	2218

Nuts and Seeds
1994 Crop prices from Kenkko Group; US $ per tonne: Iranian Pistachios 28/30 raws (in shell) naturally opened (round) 3,450 FOT MEP; market calm, with buyers needs covered. US almonds (shelled) 23/25 NPSSR 4,250, FAS California; dramatic increase in price due to weather conditions. *Walnuts (shelled) light* halves and pieces 20% (LHP) 4,350 FAS. Indian cashews, raw, W320 4,800 C&F MEP; price now *stabilised after fall. Turkish hazelnut* kernels 13/15 standard 1s 3,250 C&F MEP, easier due to large crop and stabilisation of local currency. US sunflower seeds raw, long, 950; only available second hand; round North Dakota 730 to 780 CIF MEP. Israeli sunflower seeds, raw, 8mm-plus 1,675 C&F MEP, market very quiet. Snow White Russian pumpkin seeds 3,000 C&F MEP. Indian sesame seeds, 98.2% natural, 1,080 C&F MEP; easier.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	989	+11	989	985	3,191	19
May	992	+5	994	983	21,864	2,301
Jul	999	+6	1001	993	11,982	1,113
Sep	1006	+5	1008	1002	12,267	447
Dec	1013	+5	1016	1010	14,371	620
Mar	1025	+4	1030	1024	17,043	629
Total					95,452	5,968

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1320	+3	1328	1320	80	35
May	1358	+13	1372	1345	37,287	12,103
Jul	1375	+10	1391	1364	12,254	1,724
Sep	1392	+12	1398	1383	6,893	114
Dec	1414	+11	1422	1408	6,047	258
Mar	1434	+10	1440	1425	4,808	49
Total					80,535	14,283

■ COCOA (ICCO) (SDR's/tonne)

Mar 14	Price	Prev. day
Daily	959.27	978.14

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	3285	+3	3305	3275	424	38
May	3210	-	3258	3200	15,488	1,529
Jul	3141	+3	3190	3140	8,811	1,289
Sep	3108	+8	3158	3106	7,259	543
Nov	3087	+4	3138	3087	1,389	44
Jan	3080	+12	-	-	199	-
Total					33,578	3,443

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	178.75	-3.85	180.00	178.50	217	13
May	178.80	-3.80	181.50	178.00	18,802	8,875
Jul	180.00	-3.90	182.50	179.50	8,842	1,239
Sep	181.30	-3.45	183.55	180.75	4,856	401
Dec	180.90	-3.45	182.50	180.50	4,582	194
Mar	180.10	-2.80	-	-	544	15
Total					37,730	10,737

■ COFFEE (ICO) (US cents/pound)

Mar 14	Price	Prev. day
Comp. daily	167.37	168.04
15 day average	165.81	165.29

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	14.37	-0.54	14.51	14.37	861	300
Jul	13.73	-	-	-	2,360	-
Oct	12.58	-	-	-	-	-
Jan	13.25	-	-	-	-	-
Mar	13.25	-	-	-	2,000	-
Total					5,221	300

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	372.5	-7.5	379.0	370.0	12,394	1,002
Aug	360.0	-6.5	364.8	358.5	6,451	410
Oct	331.3	-4.3	334.7	330.0	3,122	142
Dec	323.5	-4.1	327.2	323.5	198	25
Mar	317.5	-2.8	319.0	317.5	679	40
May	317.4	-2.4	-	-	221	-
Total						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	13.87	-0.43	14.23	13.75	58,589	13,910
Jul	13.03	-0.09	13.25	12.87	36,305	4,230
Oct	12.33	-0.05	12.47	12.20	34,758	4,642
Mar	12.13	-0.05	12.25	12.02	12,413	342
May	11.99	-0.05	12.10	11.98	3,399	139
Jul	11.77	-0.05	-	-	3,564	51
Total					147,766	23,344

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	109.09	-0.27	109.85	108.40	24,318	3,698
Jul	103.93	-0.54	104.85	103.70	17,054	2,062
Oct	86.05	+0.80	86.15	85.55	7,292	618
Dec	79.55	+0.61	79.80	79.00	24,449	2,780
Mar	80.30	+0.55	80.30	79.80	5,042	519
May	80.70	+0.35	80.70	90.50	893	58
Total					79,168	9,541

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	104.40	+2.10	104.40	102.30	156	110
May	108.20	+2.65	108.70	104.50	13,198	2,867
Jul	112.40	+3.10	112.50	108.50	5,239	434
Sep	115.90	+3.10	116.00	111.75	4,203	232
Nov	114.00	+3.00	114.00	111.90	1,973	-
Jan	116.00	+2.90	116.00	112.90	1,248	18
Total					28,214	3,667

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 15	Mar 14	month ago	year ago
2337.7	2345.7	2260.5	1824.3

■ CRB Futures (Base: 1967=100)

Mar 14	Mar 13	month ago	year ago
235.67	235.12	235.60	229.31

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	71.125	-0.075	71.450	70.725	39,031	10,433
Jun	64.750	-0.375	65.275	64.550	20,323	4,026
Aug	62.825	+0.075	62.950	62.525	7,658	1,583
Oct	64.450	+0.150	64.500	64.000	4,480	880
Dec	65.350	-0.175	65.500	65.100	1,858	366
Feb	66.400	-0.175	66.700	66.100	1,792	358
Total					75,722	17,779

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	41.500	+0.125	41.675	41.050	11,318	5,341
Jun	47.800	-0.100	47.975	47.450	13,043	6,828
Aug	45.975	-0.175	46.050	45.850	2,321	598
Oct	42.550	-0.100	42.800	42.300	2,279	154
Dec	42.950	-0.200	43.150	42.850	894	564
Feb	43.225	-0.075	43.350	42.900	233	54
Total					33,346	13,849

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	48.450	+1.075	49.200	46.850	436	104
May	49.000	+1.075	49.000	47.400	4,995	1,822
Jul	48.925	+1.100	48.850	47.300	1,832	508
Aug	46.200	+1.000	46.800	44.600	434	109
Feb	53.925	-0.275	54.400	53.500	98	26
Mar	52.550	+1.050	52.550	52.550	9	5
Total					7,804	2,569

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1700	140	186	40	75
1800	83	142	82	119
1900	45	100	143	174
■ COPPER (Grade A) LME	May	Aug	May	Aug
2700	-	171	-	42
2800	130	111	18	80
2900	65	67	82	133
■ COFFEE LCE	May	Jul	May	Jul
3000	254	297	44	156
3050	218	269	58	178
3100	186	244	78	203
■ COCOA LCE	May	Jul	May	Jul
1025	17	40	50	86
1050	10	32	68	83
1075	8	25	89	101
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	-	58	7	54
1700	-	38	47	91
1750	-	23	-	126

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$16.16-6.21z	+0.115
Brent Blend (dated)	$16.41-6.44	+0.155
Brent Blend (May)	$16.55-6.57z	+0.110
W.T.I. (1pm est)	$18.09-8.11	+0.160

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$171-173	-1
Gas Oil	$145-146	+1
Heavy Fuel Oil	$104-106	-1
Naphtha	$175-176	-1
Jet fuel	$164-167	-0.5
Diesel	$148-150	+0.5

Petroleum Argus. Tel. London (0171) 359 8792

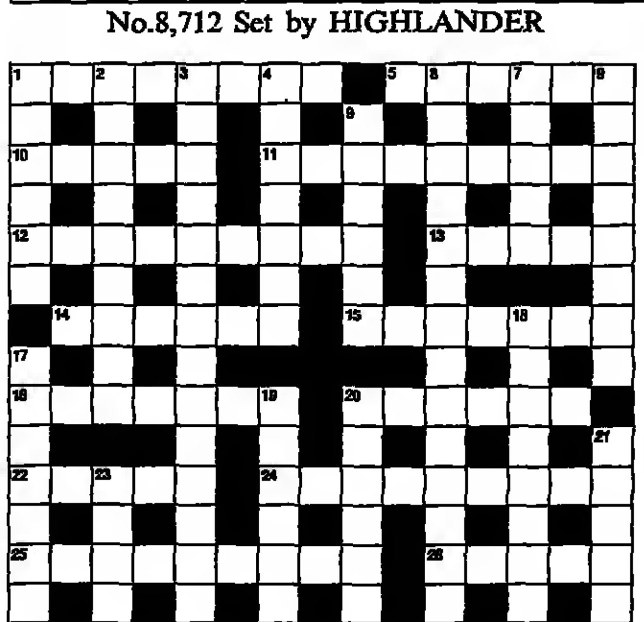
■ OTHER

Gold (per troy oz)♣	$386.60	+1.70
Silver (per troy oz)♣	476.50c	+7.00
Platinum (per troy oz.)	$424.75	+2.75
Palladium (per troy oz.)	$161.60	+1.85
Copper (US prod.)	145.0c	+1.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.99m	
Tin (New York)	254.50c	-5.00
Cattle (live weight)†	120.69p	-0.34*
Sheep (live weight)†♠	126.96p	+3.99*
Pigs (live weight)	92.89p	+2.86*
Lon. day sugar (raw)	$356.4	-8.9
Lon. day sugar (wte)	$363.0	-5.2
Tate & Lyle export	£339.0	-6.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£166.0	
Rubber (Apr)♥	120.50p	-0.25
Rubber (May)♥	120.50p	-0.25
Rubber (KL RSS No1)	459.5m	+2.0
Coconut Oil (Phil)§	$655.0y	+10.0
Palm Oil (Malay.)§	$717.5z	+20.0
Copra (Phil)§	$422.0y	
Soyabeans (US)	£167.0y	
Cotton Outlook'A' index	112.90c	
Wooltops (64s Super)	522p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Apr/Jun z Apr. y Apr/May. q Oct/Dec ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

CROSSWORD

No.8,712 Set by HIGHLANDER



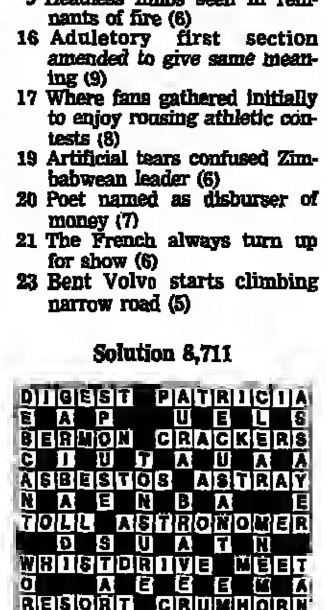
ACROSS

1 Class pet with end of nose covered in blood (8)
5 Emotionally aroused sailor has to take it easy (6)
10 English duet arranged as solo exercise piece (5)
11 Sleepy yachting waters accommodate three consecutive letters (9)
12 Chinese gymnastics seeking to change (9)
13 The trick is to avoid most of the bumper cars (5)
14 The sound of money – and in Paris this confers prestige (6)
15 Only time this garment is seen (7)
18 Increase size of small space to big (7)
20 Display group no longer worth considering (3,3)
22 Right state for wild one (5)
24 Odds on European currency getting delayed? Guess! (9)
25 Controlled players having counted out between 100 and 500 (9)
26 Medical man, single, makes boring noise (5)
27 Tommy lacks one type of bonding material (6)
28 In which king penguins and queen bees fled the flood? (3,5)

DOWN

1 Approaches cautiously with fawns (6)
2 Elephantine communication? (5,4)
3 Colour map, then reapply monastic potion (5,9)
4 Pay proper regard to detail (7)
6 Had to nod off during mistake describing melodramatic story (5-3-7)
7 Finish before lunch in the wrong order? Correct (5)
8 Request to have two points added to agreement (8)
9 Headless limbs seen in remnants of fire (6)
16 Aduletory first section amended to give same meaning (9)
17 Where fans gathered initially to enjoy rousing athletic contests (8)
19 Artificial tears confused Zimbabwean leader (6)
20 Poet named as disburser of money (7)
21 The French always turn up for show (6)
23 Bent Volvo starts climbing narrow road (5)

Solution 8,711



Treasuries weaken in nervous session

By Lisa Bransten in New York and Graham Bowley and Antonia Sharpe in London

A jittery US Treasury market yesterday morning gave back some of the gains posted on Tuesday as data suggested the economy might not be slowing as quickly es some hed thought.

At midday the benchmark 30-year Treasury was off ½ at 102$\frac{23}{32}$ to yield 7.397 per cent. At the short end, the two-year note was down $\frac{1}{16}$ at 100¼, yielding 6.717 per cent.

On Tuesday the market had rallied strongly after retail sales figures came in weaker than expected.

Although the long bond was down much less than the 1¼ point it gained on Tuesday, the retail sales data seemed all but forgotten yesterdey when figures on prodncer prices, industriel production and capacity utilisation were stronger than many economists had forecast.

However, the long bond yield remains near its recent lows.

Most analysts agreed that the data released yesterday were not enough to push the Federal Reserve into raising interest rates again at or before the March 28 meeting of its open market committee.

Mr Joseph Liro of S.G. Warburg Research in New York said that although the 0.3 per cent increase in the producer price index indicated that price pressures were beginning to appear at the finished goods level, he did not anticipete more tigbtening at the next FOMC meeting.

He added, however that it "adds to the case for further tightening later in the year".

■ Weak US Treasuries and volatility on tbe forsign exchanges drove European government bond markets lower yesterday. Most markets had moved higher early in the session but prices declined in later trade.

■ Italian government bonds fell sharply as the lira came under pressure and as prime minister Mr Lamberto Dini called for his emergency budget package to be put to a confidence vote in parliament.

The June futures contract on Liffe fell by more than a point to 92.43 and the yield spread over Garman government bonds widsned to 637 basis points.

GOVERNMENT BONDS

Ms Phyllis Reed, European bond strategist at BZW, said if the mini-budget failed, the spread could widen beyond 700 basis points to levels last seen in 1993.

"It is still not a certainty that the budget will be approved," she said.

■ German bunds sterted firmer but eased as traders looked ahead to the Bundesbank's council meeting today. Most analysts believe the central bank will not announce any changes in interest rates, in spite of recent comments by more doveish council members in favour of lowering rates.

The market is also waiting for the release today or tomorrow of German producer prices for February, which could shed light on inflationary pressures.

Mr Julian Callow, European economist at Kleinwort Benson, expects a rise of 0.4 per cent on the month for a yearly rise of 2 per cent. The market consensus is for a monthly rise of 0.2 per cent.

The yield on 10-year bunds was hardly changed at around 7.27 per cent in the cash market while tbe June bund futures contract on Liffe eased 0.13 point to 91.53 in above-averege volume of 155,000 contracts.

Mr Callow said it would be difficult for the 10-year yield to fall below 7¼ per cent, since domestic investors were reluctant to buy bunds with yields below that level.

■ UK gilts advanced strongly on economic data showing e slowdown in earnings growth but leter fell beck to end hroadly unchanged.

The long gilt future on Liffe rose to a high of 103⅞, close to the top of its recent trading range and up almost one point on the day, before falling back to 102⅞ in late trade, an increase of just $\frac{5}{32}$.

The yield spread over German bunds narrowed to 130 basis points before widening back out to 138 basis points.

■ French government bonds outperformed other markets, before falling back as the US and Germany weakened.

The June futures contract on Matif rose to e high of 112.36 after opening at 111.74, but fell back to settle et 111.78. Nevertheless, France outperformed Germany with the yield premium narrowing to 75 basis points.

Traders today will be focusing on an euction of FFr16bn to FFr18bn of two-year BTANs.

■ Spanish government bonds fell sharply as the peseta weakened on the foreign exchanges.

The June contract on the Spanish futures exchange fell 0.67 point to 81.18 in late trade.

Both sides benefit from London-Chicago link

The government debt futures trading alliance announced yesterday between the Chicago Board of Trade and the London International Financial Futures Exchange puts London at the centre of the global derivatives trade, while giving Chicago a much-needed diversification of product lines.

The arrangement, which reflects current economic realities of the expanding world derivatives trade, further cements Liffe's claim to the bund, which is expected to become the proxy for European long-term rates if and wben European currency union is eccomplished. Liffe has progressively broadened its share of the bund market during the last two years at the expense of Germany's DTB, which trades bund futures electronically.

If it succeeds in broadening business, the London-Chicago link will prompt exchanges which currently reach across time zones electronically to rethink that strategy in favour of trading floor co-operetions, industry executives say. Member firms have been actively encouraging such links, says Mr John Benjamin, a managing director of Smith Barney, the US investment bank, and special adviser to the Board of the Futures Industry Association.

The link will also test the market's appetite for long-term debt contracts traded outside tbeir primary time zone. To date, only three large short-term interest rate contracts – the eurodollar, the euroyen and the euromark – are considered to have a truly global trading audience.

Liffe is the world's third-largest futures exchange after the CBoT and the Chicago Mercantile Exchange, and its success at trading foreign bonds is unique. The CBoT, in spite of its 42 per cent share of world futures trade, has only domestic contracts.

That the exchanges have agreed to co-operate after five years of jealous competition is remarkable but not surprising, considering the pressures on regional exchanges to globalise. The CBoT has long tried to "colonise" London through various product-sharing arrangements, but the one now being vetted preserves both exchanges' independence.

"In a way, this is a recognition that these are two equal exchanges talking, rather than e minnow and e shark," says Mr Nicholas Durlacher, Liffe chairman.

The arrangement with Chicago is modelled loosely on Liffe's link with the Tokyo Stock Exchange, which allows Jepanese government bond futures trading in London, where volume doubled last year. Liffe also has an agreement with the Tokyo International Financiel Futures Exchange to begin treding euroyen futures in London within the year.

Mr Daniel Hodson, Liffe chief executive, said the experience with the Japanese bond has convinced him there is a market for long-bond trading across time zones. "The JGB contract is liquid, trades well, and is growing," he says.

Liffe's web of international alliances is more comprehensive than any of its competitors. Paris's fast-growing Matif, for example, is pursing e vision of e continental European market through its link with Germany's DTB. Those exchanges have been happy to leave their international connections to Reuter's Globex electronic futures trading system, which Matif shares with the Chicago Mercantile Exchange.

Electronic trading, while popular in emerging markets, has not taken hold in established open outcry markets such as London and Chicago.

Seeking a better route, the CBoT abandonad Globex last May, and Liffe opted not to join the system. "Globex was something of a glue pot," says Mr Durlacher, "it was so pervasive in stipulating what member exchanges could and could not do."

In fact, the future of Globex now depends almost entirely on Matif, which has the option of abandoning the system over the next few years if its link with DTB takes it along another electronic route.

Liffe and CBoT executives said tha decision to depart from Globex prompted preliminary discussions abont electronic co-operetion, which quickly escalated to negotiations for an open outcry linkage. The CME already has an open outcry link with Asia through its 11-year-old relationship with the Singapore International Monetary Exchange, but so far has not achieved any co-operation in Europe, where it depends on Globex.

Although the futures industry has grown geometrically in the last decade, several of the biggest exchanges are this year fecing flat or declining volumes.

Liffe has reported that January and February volume was down 24 per cent over the same two months last year. The CBoT's 1995 volume is also down, making the push to strengthen existing products all the more urgent.

There are 62 futures and options exchanges worldwide, with others in the planning stages, compared with 45 a decade ago. Industry experts predict competition will result in e rationalisation in the business within the next few years, and Liffe sees its strategic alliances strengthening its postion during that period. "This egreement reflects market forces," says Mr Durlacher, "inevitably wa will end up with fewer futures exchanges."

Laurie Morse

RiskMetrics to include commodities

J.P. Morgan, the US investment bank, has added commodities to RiskMetrics, its system for measuring financial risks. Commodities ere an asset class in which investors have been showing increasing interest, writes Martin Brice.

The bank yesterday unveiled the first enhancement of RiskMetrics, which lt made publicly availeble in October in a move to improve risk management and increase stability in markets for derivatives.

The improvement includes the addition of the same set of commodities as the J.P. Morgan Commodity Index, whicb tracks futures prices in base metals, energy, and precious metals.

Corporate borrowers shun market

By Martin Brice

A moribund eurobond market saw just a few issues yesterday, as tight swap spreads continued to squeeze off any arbitrage opportunities and borrowers and investors waited for important economic data from the US.

INTERNATIONAL BONDS

Banks were the only borrowers. Corporate borrowers continued to shun the market, and some houses suggest many companies are now accessing the syndicated loans market for funds.

Recent volatility in many currencies and strength of the D-Mark bas focused attention on that sector, and DSL Bank yesterday used J.P. Morgan to bring a DM100m five-year deal carrying a coupon of 3.5 per cent and currency warrants. The warrants give the bondholder e dollar call against the D-Mark at $1.41. The D-Mark was yesterday trading et $1.38.

J.P. Morgan said the bonds were largely pre-placed, and targeted et Swiss investors.

Tbere wes an unusnal appearance in the dollar sector. Bayerische Landesbank used SBC to increase a $200m deal brought in August by $100m. The bonds mature in September 1988 and carry a coupon of 7 per cent.

The dollar sector saw e flood of issuance in the first fortnight this year, when $5bn of bonds eppeared within two days and at one point about $5bn of new issues were unplaced. Syndicates report those bonds have now been placed.

Tbe European Investment Bank raised LFr2.5bn in the eight-year sector.

● Belgium is considering a long-term Swiss franc borrowing of about SFr250m at the end of March, Reuter reports.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bayerische Landesbank(a)	100	7.00	100.00R	Sep.1998	0.20R	-	Swiss Bank Corp.
D-MARKS							
DSL Bank(b)	100	3.50	100.90R	Apr.2000	0.25R	-	JP Morgan
LUXEMBOURG FRANCS							
European Investment Bank	2.5bn	7.75	102.20	Apr.2003	1.875	-	BGL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $200m. Plus 193 days accrued. b) Denom: DM5,000 +3 wrts. Each wrt entitles holder to sell DM5,000 at 1.41DM/$. Exercise period: 5/4/95 - 14/3/96.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	94.2500	+0.750	9.95	10.36	10.24
Austria		7.500	01/05	99.6000	+0.060	7.55	7.67	7.75
Belgium		7.750	10/04	97.1800	-0.140	8.17	8.36	8.28
Canada *		9.000	12/04	102.6500	-0.150	8.59	8.74	9.02
Denmark		7.000	12/04	87.1500	-0.320	9.03	9.22	8.91
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.2200	-0.170	8.05	8.22	8.05
Germany Bund		7.375	01/05	100.5600	-0.080	7.29	7.42	7.41
Ireland		8.250	10/04	83.0000	+0.050	8.81†	8.80	8.79
Italy		9.500	01/05	79.8900	-0.620	13.22	13.21	12.03
Japan	No 119	4.800	06/99	105.1410	-	3.47	3.43	4.04
	No 174	4.600	09/04	103.6310	+0.212	4.07	4.13	4.88
Netherlands		7.750	03/05	102.0000	-0.260	7.46	7.57	7.58
Portugal		11.875	02/05	99.6500	-0.050	11.93	11.66	11.65
Spain		10.000	02/05	86.8600	-0.550	12.34	12.41	11.60
Sweden		6.000	02/05	69.5300	-0.680	11.29	11.08	10.84
UK Gilts		6.000	08/99	91-09	+2/32	8.42	8.66	8.54
		8.500	12/05	99-31	+5/32	8.50	8.72	8.58
		9.000	10/08	103-29	+2/32	8.51	8.70	8.56
US Treasury *		7.500	02/05	102-17	-3/32	7.14	7.41	7.51
		7.625	02/25	102-24	+1/32	7.39	7.59	7.64
ECU (French Govt)		8.000	04/04	84.4000	+0.050	8.53	8.77	8.47

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	6.02	Two year	6.73
Prime rate	9	Two month	5.93	Three year	6.84
Broker loan rate	6½	Three month	5.85	Five year	6.98
Fed.funds	6$\frac{1}{16}$	Six month	6.22	10-year	7.13
Fed.funds at intervention	-	One year	6.42	30-year	7.38

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	111.74	111.78	+0.02	112.36	111.64	229,122	120,702
Sep	111.42	111.42	-	111.88	111.42	951	5,083
Dec	111.20	111.30	+0.10	111.64	111.20	351	1,400

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	CALLS Jun	CALLS Sep	PUTS Apr	PUTS Jun	PUTS Sep
110	2.00	2.44	2.65	0.16	0.63	1.18
111	1.09	1.71	2.05	0.35	0.90	1.50
112	0.51	1.14	1.51	0.71	1.32	1.73
113	0.18	0.69	-	-	-	-
114	0.05	0.37	0.67	-	-	-

Est. vol. total, Calls 34,142 Puts 66,669 . Previous day's open int., Calls 137,579 Puts 196,748.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.35	91.12	-0.21	91.53	81.04	158578	172692
Sep	90.86	90.62	-0.21	90.86	90.80	248	1983

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9100	0.40	0.72	0.97	1.11	0.28	0.60	0.85	1.49
9150	0.18	0.48	0.72	0.90	0.56	0.95	1.10	1.78
9200	0.07	0.31	0.62	0.72	0.96	1.19	1.40	2.10

Est. vol. total, Calls 16800 Puts 15249. Previous day's open int., Calls 147128 Puts 126544

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.30	92.43	-1.10	93.30	92.23	44856	49332
Sep	-	91.43	-1.10	-	-	0	37

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9200	2.41	2.74	1.98	3.31
9250	2.13	2.52	2.20	3.59
9300	1.88	2.32	2.45	3.89

Est. vol. total, Calls 2224 Puts 3694. Previous day's open int., Calls 34023 Puts 22101

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	81.83	81.20	-0.67	82.10	81.15	69,593	40,493

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102-18	102-18	+0-03	103-00	102-18	304	15172
Jun	102-17	102-23	+0-04	103-12	102-16	77766	73729

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
102	1-01	1-29	1-52	2-33	0-19	0-47	1-06	1-45
102	0-26	0-58	1-17	2-00	0-44	1-12	1-35	2-12
104	0-08	0-32	0-53	1-36	1-26	1-50	2-07	2-48

Est. vol. total, Calls 3831 Puts 9877. Previous day's open int., Calls 31439 Puts 50378

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	81.66	81.58	+0.02	82.08	81.48	2,932	7,450

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	105-06	105-02	-0-05	105-06	104-23	12,543	73,099
Jun	104-20	104-17	-0-05	104-21	104-05	437,004	290,718
Sep	104-00	104-04	-0-05	104-06	103-25	1,432	13,412

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	111.53	-	-	111.80	111.52	2178	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Mar 15	Day's change %	Wed Mar 14	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	119.33	+0.20	119.10	1.59	2.53
2 5-15 years (21)	140.27	+0.31	139.84	1.91	2.93
3 Over 15 years (9)	156.32	+0.21	155.99	1.15	4.05
4 Irredeemables (6)	180.06	+0.37	179.40	2.75	1.47
5 All stocks (60)	137.06	+0.25	136.73	1.70	2.96

	Low coupon yield Mar 15	Low Mar 14	Low Yr. ago	Medium coupon yield Mar 15	Medium Mar 14	Medium Yr. ago	High coupon yield Mar 15	High Mar 14	High Yr. ago
5 yrs	8.45	8.52	6.64	8.49	8.54	8.84	8.63	8.69	6.81
15 yrs	8.41	8.44	7.31	8.51	8.56	7.42	8.73	8.76	7.52
20 yrs	8.38	8.41	7.42	8.51	8.55	7.44	8.66	8.67	7.53
Irred.†	8.43	8.46	7.52						

Index-linked	Thu Mar 15	Day's change %	Wed Mar 14	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	189.94	+0.09	189.77	0.86	1.45
7 Over 5 years (11)	174.70	+0.26	174.38	0.55	1.28
5 All stocks (13)	175.36	+0.24	175.06	0.56	1.29

	Inflation 5% Mar 15	Mar 14	Yr. ago	Inflation 10% Mar 15	Mar 14	Yr. ago
Up to 5 yrs	3.66	3.69	2.63	2.37	2.40	1.79
Over 5 yrs	3.88	3.90	3.28	3.70	3.72	3.12

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 15	Mar 14	Mar 13	Mar 10	Mar 9	Yr ago	High*	Low*
Govt. Secs. (UK)	91.74	91.52	90.89	90.22	90.83	99.94	107.04	89.54
Fixed Interest	109.93	109.54	109.34	109.29	108.99	121.37	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 14	Mar 13	Mar 10	Mar 9	Mar 8
Gilt Edged bargains	83.0	104.1	151.3	207.9	109.8
5-day average	131.2	134.7	129.3	118.8	93.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 15

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92¼	92½	-¼	7.81
Alberta Province 7⅝ 98	1000	101	101¼		7.28
Austria 8½ 00	400	104⅜	105⅛		7.30
Baden-Wuert L-Finance 8⅛ 00	1000	103⅛	103⅜	-⅛	7.33
United Kingdom 7¼ 97	5500	102	102¼	-⅛	6.25
Volkswagen Intl Fin 7 03	1000	95½	95¾	+⅛	7.76
World Bank 0 15	2000	22½	22¾	-⅛	7.45
World Bank 5⅞ 03	3000	89⅞	90	-⅛	7.60
World Bank 8¾ 00	1250	110¼	110¾	-½	6.33
Abbey Natl Treasury 8 00 £	1000	92⅞	93	+¼	8.29
Alliance Leics 11½ 97 £	100	105¼	105½	+⅛	8.56
British Land 8⅞ 23 £	150	89⅛	89⅜		10.29
Denmark 6¾ 98 £	800	94⅛	94½	+¼	8.73
EIB 8 03 £	1000	94⅜	94⅝	+⅛	8.98
Halifax 10⅞ 97 £	100	103⅜	103⅝		8.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Shorts* (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.02	6.53	99½	——	103¾	97¾
10¼pc 1995		10.12	6.51	101$\frac{5}{16}$	——	107$\frac{13}{32}$	101$\frac{5}{16}$
Treas 12¾pc 1995‡‡		12.29	6.79	103¾	——	113⅝	103¾
14pc 1996		13.24	6.93	105¾	+$\frac{1}{32}$	117$\frac{5}{16}$	105$\frac{13}{32}$
15¼pc 1996‡‡		14.04	7.19	108⅝	+⅛	121$\frac{13}{32}$	105$\frac{7}{16}$
Exch 13¼pc 1996‡‡		12.44	7.36	106$\frac{15}{32}$	+$\frac{1}{32}$	117$\frac{13}{32}$	106$\frac{5}{16}$
Conversion 10pc 1996		9.69	7.66	103$\frac{5}{16}$	+$\frac{1}{32}$	112$\frac{5}{16}$	103$\frac{5}{16}$
Treas Cnv 7pc 1997‡‡		7.14	7.93	98$\frac{1}{32}$	+$\frac{1}{32}$	100⅝	96⅝
Treas 13¼pc 1997‡‡		12.16	7.68	109$\frac{5}{16}$	+⅛	121$\frac{13}{32}$	108$\frac{13}{32}$
Exch 10½pc 1997		10.04	7.86	104⅝	+⅛	114$\frac{5}{16}$	104$\frac{5}{16}$
Treas 8¾pc 1997‡‡		8.62	8.07	101$\frac{15}{32}$	+$\frac{1}{32}$	110$\frac{7}{16}$	100$\frac{5}{16}$
Exch 15pc 1997		12.96	8.18	115$\frac{23}{32}$	+$\frac{1}{32}$	131$\frac{13}{32}$	114$\frac{13}{32}$
9¾pc 1998		9.40	8.27	103$\frac{23}{32}$	+$\frac{1}{32}$	114$\frac{15}{32}$	102$\frac{13}{32}$
Treas 7¼pc 1998‡‡		7.45	8.27	[illegible]xd	+$\frac{1}{32}$	106$\frac{5}{16}$	95⅝
Treas 6¾pc 1995-98‡‡		7.04	8.28	95$\frac{23}{32}$	+$\frac{1}{32}$	102	93$\frac{13}{32}$
14pc 1998-1		12.14	8.42	115$\frac{15}{32}$	+$\frac{1}{32}$	131$\frac{5}{16}$	114$\frac{5}{16}$
Treas 15½pc '98‡‡		12.75	8.63	121$\frac{19}{32}$xd	+$\frac{1}{32}$	140$\frac{5}{16}$	120⅝
Exch 12pc 1998		10.80	8.49	111¼	+¼	125$\frac{13}{32}$	109$\frac{13}{32}$
Treas 9½pc 1999‡‡		9.17	8.40	103$\frac{5}{16}$	+$\frac{1}{32}$	116$\frac{5}{16}$	100⅝
Exch 12¼pc 1999		10.87	8.48	112$\frac{19}{32}$xd	+$\frac{1}{32}$	128$\frac{5}{16}$	111$\frac{1}{16}$
Treas 10½pc 1999		9.81	8.47	101$\frac{1}{16}$	+$\frac{1}{32}$	121$\frac{1}{16}$	105$\frac{13}{32}$
Treas 6pc 1999‡‡		6.57	8.41	91$\frac{13}{32}$	+¼	101$\frac{13}{32}$	88$\frac{13}{32}$
Conversion 10¼pc 1999		9.62	8.54	106$\frac{15}{32}$	+¼	121$\frac{13}{32}$	104$\frac{13}{32}$
Treas Flg Rate 1999		–	–	99⅞	——	100$\frac{5}{16}$	99$\frac{13}{32}$
Five to Fifteen Years							
8pc 2000‡‡		8.15	8.41	98$\frac{5}{16}$	+$\frac{1}{32}$	98⅝	95
Conv 9pc 2000‡‡		8.80	8.45	102$\frac{1}{16}$	+$\frac{1}{32}$	118$\frac{5}{16}$	99⅞
Treas 13pc 2000		10.95	8.58	118$\frac{23}{32}$	+$\frac{1}{32}$	136$\frac{23}{32}$	116$\frac{13}{32}$
10pc 2001		9.39	8.60	106$\frac{15}{32}$	+$\frac{1}{32}$	122$\frac{1}{16}$	103½
7pc 2001 ‡‡		7.58	8.53	92$\frac{13}{32}$	+$\frac{1}{32}$	106$\frac{5}{16}$	88$\frac{13}{32}$
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 9½pc 2004		8.99	8.61	105$\frac{11}{16}$	+$\frac{1}{32}$	125$\frac{5}{16}$	101$\frac{13}{32}$
Treas 6¾pc 2004‡‡		7.63	8.51	88½	+$\frac{1}{32}$	105⅛	84$\frac{13}{32}$
9½pc 2005‡‡		8.50	8.49	99$\frac{13}{32}$	+$\frac{1}{32}$	100$\frac{13}{32}$	97
Conv 9½pc 2005		8.96	8.58	105⅛xd	+¼	135½	102⅛
Treas 12½pc 2003-5		10.25	8.82	121$\frac{31}{32}$	+$\frac{1}{32}$	143$\frac{1}{16}$	118⅛
7¾pc 2006‡‡		8.21	8.50	94$\frac{7}{16}$	+$\frac{1}{32}$	112$\frac{13}{32}$	90⅝
8pc 2002-6‡‡		8.31	8.55	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7		10.11	8.84	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2007 ‡‡		8.50	8.51	[illegible]	[illegible]	[illegible]	[illegible]
13½pc 2004-8		10.50	8.83	128[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2008 ‡‡		8.65	8.50	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2009		8.32	8.49	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years							
Treas 6 1/4pc 2010		7.66	8.38	[illegible]	[illegible]	[illegible]	[illegible]
Conv 9pc Ln 2011 ‡‡		8.61	8.48	[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2012‡‡		8.59	8.47	[illegible]	[illegible]	[illegible]	[illegible]
Treas 5½pc 2008-12‡‡		7.34	8.24	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2013‡‡		8.33	8.42	[illegible]	[illegible]	[illegible]	[illegible]
8pc 2015		8.30	8.37	[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2012-15‡‡		8.29	8.43	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 2017‡‡		8.44	8.39	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc 2013-17		9.16	8.83	[illegible]	[illegible]	[illegible]	[illegible]
Undated							
Consols 4pc		8.58	–	[illegible]	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡		8.37	–	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	1994/95 High	1994/95 Low
2pc '96	(67.9)	1.97	3.57	204$\frac{13}{32}$xd	+⅛	204$\frac{13}{32}$	197$\frac{13}{32}$
4⅝pc '98‡‡	(135.6)	2.65	3.71	107$\frac{13}{32}$	+$\frac{1}{32}$	113$\frac{5}{16}$	106$\frac{5}{16}$
2½pc '01	(78.3)	3.44	3.88	167$\frac{13}{32}$xd	+$\frac{1}{32}$	178⅞	163½
2½pc '03	(78.8)	3.54	3.87	163$\frac{5}{16}$	+$\frac{1}{32}$	173⅝	158$\frac{5}{16}$
4⅜pc '04‡‡	(135.6)	3.54	3.85	109$\frac{13}{32}$xd	+⅛	118⅜	107⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar weakens as figures unsettle markets

The dollar fell sharply on the foreign exchanges yesterday after a raft of economic data unsettled the market, *writes Philip Gawith.*

The US currency's fall smacked of a market looking for a reason to sell, although the figures were sufficient to re-awaken fears in some minds that the Fed might by slipping up in the battle against inflation.

Other factors giving the market reasons to buy D-Marks, or depressing dollar sentiment, were persistent rumours about Spain leaving the ERM, renewed worries about Italy and Mexico, and diminished expectations of a cut in interest rates at today's Bundesbank council meeting.

The dollar's fall was no surprise, though, as sentiment had remained negative despite the currency's rally off a low of DM1.3450 last week. It closed two pfennigs weaker in London at DM1.3926 from DM1.4136. Against the yen it closed at Y89.855 from Y91.165.

In Europe, meanwhile, political uncertainty ahead of today's confidence vote on the budget drove the lira to a fresh low against the D-Mark of L1,220.

The dollar dragged sterling down against the D-Mark. It closed at DM2.2233 from DM2.2445. It was firmer, however, against the dollar, finishing at $1.5965 from $1.5878.

Elsewhere the newly unified South African rand had another good day. The market responded positively to the budget, and the rand finished nearly five cents firmer at R3.585, from R3.6335, against the dollar. Mexico, however, was back in trouble with the peso falling by 64 centavos to around 7.24 pesos against the dollar in 24-hour contracts.

■ The technical position of the market was the starting point for the dollar's fall. Having failed to break through the DM1.4180 level, the dollar's trajectory was then downward, at least from a chart perspective.

In terms of the data – industrial production, PPI, capacity utilisation and business inventories – the reasons for the dollar's fall were less clear. Mr Tim Stewart, currency strategist at Morgan Stanley in London, said: "It is difficult to see why these data should have had the negative impact they had."

He said diminished expectations of co-ordinated intervention or interest rate movements meant the "fear factor" that had been helping the dollar was "dissipating".

The dollar received some support from Mr Edmond Alphandery, the French Economy Minister, who told reporters that it "still had the capacity to bounce."

He said the dollar was below its real value, adding that signals to the market from central bankers and politicians appeared to have arrested the downward trend.

He received some support from Mr Otmar Issing, the hawkish Bundesbank board member. He was reported in the German press saying that the current strength of the D-Mark was exaggerated.

■ Perhaps the best hope for some action from the Bundesbank today lies in their contrarian instincts. A Reuters poll of 20 City economists found them unanimous in their view that there would be no move in official rates, or the repo.

Mr Stewart said: "The Germans can only cut interest rates if they are convinced that gains in the currency are going to be sustained. It is too early to say that yet."

Elsewhere in Europe the focus will be on Italy where the government today faces a knife-edge confidence vote on the L20,000bn mini-budget. At best a narrow victory for the government is predicted. If it loses, the prospects of early elections increase. The uncertainty was sufficient to drive the lira to an all time low.

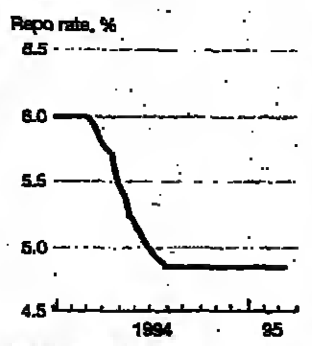
■ UK interest rate markets had a volatile day. They rose in the morning, helped by retail sales and unemployment data which showed signs of economic growth weakening, and earnings growth slowing.

After reaching an intra-day peak of 92.65, the June short sterling contract then slid back to close at 92.63 as the data releases in the US depressed interest rate sentiment.

Mr Richard Phillips, analyst at brokers GNI, said the better than expected average earnings figure had given rise to a market view that interest rates might be close to their peak.

The Bank of England cleared a £500m money market shortage at established rates. Three month LIBOR eased to 6 13/16 per cent, from 6 7/8 per cent.

Germany



Source: Datastream

■ **Pound in New York**

Mar 15	—Latest—	– Prev. close –
£ spot	1.6015	1.5845
1 mth	1.6014	1.5842
3 mth	1.6003	1.5832
1 yr	1.5683	1.5702

■ **OTHER CURRENCIES**

Mar 15	£	$
Hungary	185.503 - 185.779	116.220 - 116.330
Iran	2781.57 - 2792.98	1748.00 - 1750.00
Kuwait	0.4718 - 0.4725	0.2956 - 0.2958
Poland	3.7506 - 3.7609	2.3500 - 2.3550
Russia	7633.71 - 7632.00	4780.00 - 4782.00
U.A.E.	5.8613 - 5.8655	3.6725 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Mar 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6484	-0.1495	379 - 589	15.8297	15.6370	15.698	1.0	15.6022	1.2	-	-	107.2
Belgium	(BFr)	45.8707	-0.4772	483 - 930	46.3070	45.8330	45.8907	-0.5	45.8457	0.2	45.5007	0.8	110.6
Denmark	(DKr)	8.9412	-0.0625	360 - 464	8.9963	8.9312	8.9466	-0.7	8.9338	0.3	8.8145	0.3	108.1
Finland	(FM)	6.9242	-0.0462	150 - 334	7.0090	6.9050	-	-	-	-	-	-	88.8
France	(FFr)	7.9016	-0.0702	973 - 059	7.9583	7.8996	7.9176	-2.4	7.9455	-2.2	7.892	0.1	109.0
Germany	(DM)	2.2233	-0.0212	220 - 246	2.2485	2.2198	2.2206	1.5	2.2148	1.5	2.1774	2.1	114.3
Greece	(Dr)	361.046	-3.362	260 - 838	365.125	359.200	-	-	-	-	-	-	69.2
Ireland	(I£)	1.0042	-0.0028	029 - 054	1.0061	1.0025	1.0038	0.4	1.0031	0.4	1.0038	0.1	95.4
Italy	(L)	2682.28	+10.81	128 - 328	2696.45	2661.26	2692.48	-4.6	2709.79	-4.1	2785.08	-3.8	66.1
Luxembourg	(LFr)	45.8707	-0.4772	483 - 930	46.3070	45.8330	45.8907	-0.5	45.8457	0.2	45.5007	0.8	110.6
Netherlands	(Fl)	2.4931	-0.0253	915 - 947	2.5195	2.4914	2.4899	1.5	2.483	1.6	2.442	2.0	110.7
Norway	(NKr)	9.9414	-0.0641	359 - 469	10.0065	9.9282	9.9403	0.1	9.9382	0.1	9.9266	0.1	99.9
Portugal	(Es)	235.005	-1.874	851 - 158	236.696	234.159	235.72	-3.7	237.405	-4.1	-	-	96.9
Spain	(Pta)	203.554	-1.362	410 - 697	204.692	203.299	204.239	-4.0	205.339	-3.5	209.764	-3.1	77.8
Sweden	(SKr)	11.4933	+0.0282	837 - 029	11.6361	11.4269	11.4954	-0.2	11.4993	-0.2	11.511	-0.2	79.1
Switzerland	(SFr)	1.8456	-0.0225	442 - 469	1.8658	1.8425	1.841	3.0	1.8324	2.9	1.7834	3.4	114.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.0
Ecu	-	1.2161	-0.0106	152 - 169	1.2269	1.2128	1.217	-0.9	1.2147	0.5	1.211	0.4	-
SDR†	-	1.03680	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5968	+0.0089	962 - 973	1.5990	1.5831	-	-	-	-	-	-	-
Brazil	(Cr)	1.4137	+0.0156	109 - 165	1.4170	1.3934	-	-	-	-	-	-	-
Canada	(C$)	2.2595	+0.0106	583 - 606	2.2631	2.2373	2.263	-1.9	2.2679	-1.5	2.2673	-0.3	80.2
Mexico	(New Peso)	10.7365	+0.392	932 - 798	10.7820	10.5135	-	-	-	-	-	-	-
USA	($)	1.5965	+0.0087	960 - 970	1.5995	1.5828	1.5963	0.2	1.5952	0.3	1.5828	0.9	90.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1400	+0.0077	386 - 413	2.1453	2.1380	2.1423	-1.3	2.1474	-1.4	2.1731	-1.5	82.4
Hong Kong	(HK$)	12.3437	+0.0673	390 - 483	12.3651	12.2388	12.3439	0.0	12.3447	0.0	12.3399	0.0	-
India	(Rs)	50.1496	-0.4368	825 - 167	50.7210	49.8710	-	-	-	-	-	-	-
Israel	(Shk)	4.7153	-0.0237	080 - 215	4.7426	4.7017	-	-	-	-	-	-	-
Japan	(Y)	143.454	-1.298	337 - 570	144.030	142.860	142.916	4.5	141.839	4.5	135.829	5.3	160.1
Malaysia	(M$)	4.0823	+0.0107	602 - 644	4.0694	4.0339	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4580	+0.0145	539 - 581	2.4619	2.4525	2.4621	-3.0	2.4729	-2.6	2.4922	-1.5	96.7
Philippines	(Peso)	41.3495	+0.2264	172 - 817	41.6911	41.0072	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9875	+0.0327	855 - 895	5.9998	5.9385	-	-	-	-	-	-	-
Singapore	(S$)	2.2651	+0.0075	536 - 566	2.2694	2.2388	-	-	-	-	-	-	-
South Africa	(R)	5.7236	-0.0458	177 - 292	5.7667	5.7098	-	-	-	-	-	-	-
South Korea	(Won)	1244.28	+5.08	376 - 470	1246.49	1233.63	-	-	-	-	-	-	-
Taiwan	(T$)	41.6495	+0.2068	245 - 825	41.7027	41.2921	-	-	-	-	-	-	-
Thailand	(Bt)	39.4815	+0.1358	531 - 098	39.5540	39.1800	-	-	-	-	-	-	-

†SDR rates per £ for Mar 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100, index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	9.8017	-0.1479	982 - 052	9.9540	9.7890	9.7817	1.2	9.7702	1.3	9.6875	1.2	107.7
Belgium	(BFr)	28.7320	-0.458	270 - 370	29.1820	28.7050	28.7495	-0.7	28.772	-0.8	28.697	0.1	109.6
Denmark	(DKr)	5.6005	-0.07	990 - 020	5.6680	5.5918	5.606	-1.2	5.6135	-0.9	5.634	-0.6	106.8
Finland	(FM)	4.3371	-0.0529	327 - 415	4.4220	4.3216	4.3378	-0.1	4.3381	-0.1	4.3291	0.2	85.6
France	(FFr)	4.9494	-0.0712	482 - 505	5.0148	4.9429	4.9604	-2.7	4.9814	-2.6	5.0018	-1.1	108.0
Germany	(DM)	1.3926	-0.021	922 - 930	1.4150	1.3900	1.3911	1.3	1.3884	1.2	1.3764	1.2	112.7
Greece	(Dr)	226.150	-3.35	100 - 200	230.000	225.100	228.65	-13.3	232.9	-11.9	250.65	-10.6	68.0
Ireland	(I£)	1.5900	+0.0131	885 - 914	1.5925	1.5734	1.5908	-0.8	1.5932	-0.8	1.6033	-0.8	-
Italy	(L)	1680.10	-2.4	000 - 020	1699.00	1676.10	1686.85	-4.8	1698.8	-4.5	1761.1	-4.8	86.5
Luxembourg	(LFr)	28.7320	-0.458	270 - 370	29.1820	28.7050	28.7495	-0.7	28.772	-0.6	28.697	0.1	109.6
Netherlands	(Fl)	1.5618	-0.0245	611 - 621	1.5883	1.5581	1.5602	1.1	1.5571	1.2	1.5437	1.1	109.5
Norway	(NKr)	6.2270	-0.0745	255 - 285	6.3121	6.2126	6.2225	0.9	6.214	0.8	6.19	0.6	98.5
Portugal	(Es)	147.200	-2.05	150 - 250	149.100	146.800	147.935	-6.0	148.88	-4.6	153.85	-4.5	96.9
Spain	(Pta)	127.500	-1.55	450 - 550	129.000	127.320	127.925	-4.0	128.57	-3.4	132.25	-3.7	77.3
Sweden	(SKr)	7.1991	-0.0218	953 - 028	7.2644	7.1812	7.2143	-2.5	7.2448	-2.5	7.3741	-2.4	79.0
Switzerland	(SFr)	1.1560	-0.0206	555 - 565	1.1750	1.1530	1.1535	2.5	1.1488	2.5	1.1272	2.5	112.6
UK	(£)	1.5965	+0.0087	960 - 970	1.5995	1.5828	1.5963	0.2	1.5952	0.3	1.5828	0.8	84.5
Ecu	-	1.3129	+0.0164	124 - 134	1.3148	1.2935	1.3119	0.9	1.3106	0.6	1.3089	0.3	-
SDR†	-	0.65360	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	+0.0001	001 - 002	1.0002	1.0000	-	-	-	-	-	-	-
Brazil	(Cr)	0.8855	+0.005	840 - 870	0.8870	0.8810	-	-	-	-	-	-	-
Canada	(C$)	1.4153	-0.0011	150 - 155	1.4157	1.4110	1.4179	-2.2	1.4222	-1.9	1.4328	-1.2	79.1
Mexico	(New Peso)	6.7250	+0.21	000 - 500	6.7500	6.7000	6.7272	-0.4	6.7304	-0.3	6.7353	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3403	-0.0025	399 - 408	1.3537	1.3392	1.3423	-1.8	1.3465	-1.9	1.3734	-2.5	83.9
Hong Kong	(HK$)	7.7317	-	312 - 322	7.7325	7.7310	7.7306	0.2	7.7347	-0.2	7.7702	-0.6	-
India	(Rs)	31.4122	-0.4472	800 - 444	31.9600	31.3775	31.4922	-3.1	31.7372	-4.1	-	-	-
Israel	(Shk)	2.9535	-0.0311	505 - 565	2.9880	2.9500	-	-	-	-	-	-	-
Japan	(Y)	89.8550	-1.31	100 - 000	90.7800	89.6800	89.545	4.1	88.915	4.2	85.84	4.5	159.8
Malaysia	(M$)	2.5445	-0.0072	440 - 450	2.5520	2.5435	2.5425	0.9	2.5401	0.7	2.5345	0.4	-
New Zealand	(NZ$)	1.5382	+0.0007	375 - 392	1.5533	1.5372	1.5428	-3.6	1.5503	-3.1	1.5746	-2.4	-
Philippines	(Peso)	25.9000	-	000 - 000	26.1000	25.7000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0001	503 - 505	3.7505	3.7502	3.7513	-0.3	3.7534	-0.3	3.7654	-0.4	-
Singapore	(S$)	1.4125	-0.003	120 - 130	1.4165	1.4120	1.4073	4.5	1.399	3.8	1.3725	2.8	-
South Africa	(R)	3.5850	-0.0485	825 - 875	3.6330	3.5816	3.603	-6.0	3.6403	-6.2	3.8342	-7.0	-
South Korea	(Won)	779.350	-1.1	300 - 400	779.500	778.800	782.35	-4.6	785.85	-3.3	804.35	-3.2	-
Taiwan	(T$)	26.0843	-0.013	805 - 880	26.0990	26.0800	26.1043	-0.9	26.1443	-0.9	-	-	-
Thailand	(Bt)	24.7300	-0.05	200 - 400	24.7700	24.7200	24.751	-1.0	24.7775	-0.8	24.865	-0.5	-

†SDR rate per $ for Mar 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 14. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 15	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	6½	6⅝	6¾	6¾	6⅞	7.40	4.50	–
week ago	4⅞	6⅝	7½	7⅝	7⅝	7.40	4.50	–
France	7⅞	8¾	8⅛	8⅛	7⅞	5.00	–	8.00
week ago	8	6⅞	8⅛	8⅛	8	5.00	–	8.00
Germany	4.90	4.93	5.05	5.15	5.53	6.00	4.50	4.85
week ago	4.88	4.93	5.05	5.20	5.65	6.00	4.50	4.85
Ireland	5⅝	6⅝	7	7⅛	7⅞	–	–	6.25
week ago	5⅞	6⅝	6¾	6⅝	7⅛	–	–	6.25
Italy	9⅞	10½	10⅞	11¼	11⅝	–	7.50	10.25
week ago	6⅛	10½	10⅞	11⅛	11¾	–	7.50	8.35
Netherlands	4.90	5.02	5.12	5.30	5.69	–	5.25	–
week ago	4.84	5.02	5.12	5.30	5.72	–	5.25	–
Switzerland	3⅛	3⅝	3⅞	3⅞	4⅛	6.625	3.50	–
week ago	3⅝	3⅝	3⅞	4	4⅛	6.625	3.50	–
US	5⅞	6⅛	6⅛	6⅜	6⅝	–	5.25	–
week ago	5⅞	6⅛	6¼	6⅜	6⅝	–	5.25	–
Japan	2⅛	2⅛	2¼	2¼	2⅜	–	1.75	–
week ago	2⅛	2⅛	2¼	2¼	2⅜	–	1.75	–
■ **$ LIBOR FT London**								
Interbank Fixing	–	6⅛	6¼	6⅜	6⅝	–	–	–
week ago	–	6⅛	6⅛	6⅛	7	–	–	–
US Dollar CDs	–	5.90	6.04	6.24	6.58	–	–	–
week ago	–	5.90	6.13	6.37	6.81	–	–	–
SDR Linked Ds	–	4⅝	4½	4⅝	4⅞	–	–	–
week ago	–	4⅝	4½	4⅝	4⅞	–	–	–

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6¼; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 1/16 - 5 15/16	8¼ - 6⅛	6 11/16 - 6 9/16	6 13/16 - 6 9/16	6 13/16 - 6 11/16	6⅞ - 6¾
Danish Krone	6½ - 6¼	7¼ - 7	7⅜ - 7⅛	7½ - 7¼	7½ - 7¼	7¾ - 7½
D-Mark	5 - 4⅞	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 9/16 - 5 7/16
Dutch Guilder	4 15/16 - 4⅞	4 15/16 - 4⅞	5 1/32 - 4 31/32	5⅛ - 5 1/16	5⅝ - 5¼	5⅝ - 5½
French Franc	8 - 7½	8¼ - 7¾	8½ - 8	8½ - 8	8¼ - 7¾	8 - 7½
Portuguese Esc.	8⅝ - 8½	9½ - 9⅛	10⅛ - 9¾	11 - 10	11½ - 10½	11¾ - 11¼
Spanish Peseta	6½ - 6⅜	8 13/16 - 8 11/16	9¼ - 9 1/16	9⅝ - 9 7/16	10 7/16 - 10 5/16	10¾ - 10½
Sterling	5¾ - 5½	5½ - 5⅜	6 1/16 - 6 1/16	6 19/32 - 6 17/32	7 1/16 - 6 15/16	7 11/16 - 7 9/16
Swiss Franc	3½ - 3⅜	3½ - 3⅜	3 9/16 - 3 7/16	3 11/16 - 3 9/16	3⅞ - 3¾	4 3/16 - 4 1/16
Can. Dollar	7 13/16 - 7¾	8 - 7 13/16	8 3/16 - 8 1/16	8 3/16 - 8 1/16	8 3/16 - 8 1/16	8 3/16 - 8 1/16
US Dollar	6 - 5⅞	6 1/16 - 5 15/16	6⅛ - 6	6¼ - 6⅛	6 7/16 - 6 5/16	6¾ - 6⅝
Italian Lira	10½ - 9	10⅞ - 10⅝	10⅞ - 10⅝	10 13/16 - 10 11/16	11¼ - 11⅛	11⅞ - 11⅝
Yen	2 3/16 - 2⅛	2 7/32 - 2 5/32	2¼ - 2⅛	2 3/16 - 2⅛	2 3/16 - 2⅛	2¼ - 2⅛
Asian $Sing	1½ - 1¼	1 - ⅞	1 15/16 - 1 13/16	2 3/16 - 2 1/16	2¾ - 2⅝	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.36	92.22	-0.07	92.45	92.20	55,541	57,347
Sep	93.13	93.05	-	93.17	93.04	13,463	32,753
Dec	93.04	93.14	+0.03	93.31	93.04	12,266	22,148
Mar	93.06	93.03	-	93.11	93.01	3,019	18,765

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	93.47	-0.07	-	-	0	570
Sep	-	93.25	-0.08	-	-	0	364
Dec	-	93.07	-0.09	-	-	0	270
Mar	-	93.04	-0.06	-	-	0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.78	94.79	+0.02	94.84	94.74	42392	224167
Sep	94.44	94.47	+0.01	94.49	94.41	27948	156838
Dec	94.10	94.12	+0.01	94.15	94.05	24856	121092
Mar	93.77	93.78	-0.01	93.82	93.74	6848	62293

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.65	88.36	-0.34	88.70	88.15	13001	43734
Sep	88.45	88.14	-0.33	88.45	88.01	2615	28145
Dec	88.30	88.04	-0.33	88.31	88.00	1284	13828
Mar	88.18	88.01	-0.31	88.20	88.03	594	7813

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.09	96.10	-	96.13	96.06	2641	22107
Sep	95.86	95.85	+0.01	95.87	95.83	907	6392
Dec	95.56	95.55	+0.01	95.59	95.54	713	5595
Mar	95.38	95.37	+0.02	95.38	95.35	90	100

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.05	93.01	-0.04	93.12	92.99	2678	10336
Sep	92.97	92.90	-0.06	93.02	92.90	1307	4493
Dec	92.74	92.64	-0.05	92.76	92.63	363	2403
Mar	92.35	92.28	-0.06	92.40	92.28	94	1664

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.49	17.23	4.846	2.189	5847	5.435	21.67	512.3	443.9	25.05	4.024	2.180	4.927	3.482	312.8	2.651
Denmark	(DKr)	51.30	10	8.838	2.486	1.123	3000	2.788	11.12	262.8	227.7	12.85	2.065	1.116	2.528	1.786	160.5	1.360
France	(FFr)	58.05	11.31	10	2.813	1.271	3394	3.155	12.58	297.4	257.7	14.54	2.336	1.266	2.860	2.021	181.6	1.539
Germany	(DM)	20.63	4.022	3.555	1	0.452	1206	1.121	4.472	105.7	91.58	5.169	0.830	0.450	1.017	0.718	64.55	0.547
Ireland	(I£)	45.68	8.905	7.871	2.214	1	2671	2.483	9.901	234.1	202.9	11.44	1.839	0.996	2.251	1.591	142.9	1.211
Italy	(L)	1.710	0.333	0.295	0.083	0.037	100.	0.093	0.371	8.762	7.591	0.428	0.069	0.037	0.084	0.060	5.350	0.045
Netherlands	(Fl)	18.40	3.586	3.170	0.892	0.403	1076	1	3.988	94.26	81.67	4.609	0.740	0.401	0.907	0.641	57.56	0.488
Norway	(NKr)	46.14	8.994	7.949	2.236	1.010	2696	2.508	10	236.4	204.8	11.56	1.857	1.006	2.273	1.606	144.4	1.223
Portugal	(Es)	19.52	3.805	3.363	0.946	0.427	1141	1.061	4.230	100.	86.64	4.889	0.786	0.425	0.962	0.680	61.06	0.517
Spain	(Pta)	22.53	4.391	3.881	1.092	0.493	1317	1.224	4.883	115.4	100.	5.643	0.907	0.491	1.110	0.784	70.48	0.597
Sweden	(SKr)	39.92	7.782	6.877	1.935	0.874	2334	2.170	8.652	204.5	177.2	10	1.607	0.870	1.967	1.390	124.9	1.058
Switzerland	(SFr)	24.85	4.843	4.281	1.204	0.544	1453	1.350	5.385	127.3	110.3	6.224	1	0.542	1.224	0.865	77.74	0.659
UK	(£)	45.87	8.941	7.902	2.223	1.004	2682	2.493	9.941	235.0	203.8	11.49	1.846	1	2.260	1.597	143.5	1.219
Canada	(C$)	20.30	6.956	3.496	0.984	0.444	1187	1.103	4.399	104.0	90.09	5.084	0.817	0.442	1	0.707	63.50	0.538
US	($)	28.72	5.599	4.948	1.392	0.629	1679	1.561	6.225	147.2	127.5	7.195	1.156	0.626	1.415	1	89.86	0.761
Japan	(Y)	31.97	6.231	5.507	1.549	0.700	1869	1.737	6.928	163.8	141.9	8.007	1.286	0.697	1.575	1.113	100.	0.847
Ecu		37.72	7.353	6.498	1.828	0.826	2206	2.050	8.176	193.3	167.4	9.449	1.518	0.822	1.859	1.313	118.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7083	0.7130	+0.0046	0.7134	0.7076	31,536	58,111
Sep	0.7129	0.7146	+0.0024	0.7150	0.7129	125	1,720
Dec	0.7145	0.7160	+0.0021	0.7160	0.7145	2	207

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1126	1.1195	+0.0068	1.1216	1.1125	22,055	55,411
Sep	1.1327	1.1315	+0.0076	1.1338	1.1304	74	2,495
Dec	1.1445	1.1445	+0.0086	1.1445	1.1445	54	377

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8553	0.8607	+0.0052	0.8616	0.8553	12,359	26,205
Sep	-	0.8658	-	0.8670	-	325	1,273
Dec	-	0.8711	-	0.8711	-	7	133

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5832	1.5888	+0.0056	1.5888	1.5822	7,313	22,071
Jun	-	1.5860	-	1.5860	-	1	143
Sep	-	1.5820	-	1.5820	-	2	11

UK INTEREST RATES

LONDON MONEY RATES

Mar 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 5/16 - 3¾	5⅝ - 5⅛	6 5/16 - 6	6 11/16 - 6½	7⅛ - 6 15/16	7¼ - 7 3/16
Sterling CDs	-	-	6 3/32 - 6 1/32	6 9/16 - 6½	6 31/32 - 6 29/32	7½ - 7⅜
Treasury Bills	-	-	6 3/32 - 6 1/32	6⅜ - 6¼	-	-
Bank Bills	-	-	6 3/32 - 6 1/32	6 7/16 - 6 3/8	6 15/16 - 6 11/16	-
Local authority deps.	5 5/16 - 5 1/16	5 9/16 - 5 7/16	6⅛ - 6	6⅝ - 6½	7 1/16 - 6 15/16	7 9/16 - 7 7/16
Discount Market deps	5½ - 4¼	5¾ - 5 9/16	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Certs of Tax dep. under £100,000 is 2½pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 28, Ave. tender rate of discount 6.1282pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 25, 1995, Schemes II & III 8.08pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Schemes IV & V 8.785pc. Finance House Base Rate 7pc from Mar 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.28	93.31	+0.05	93.34	93.28	7655	59916
Jun	92.55	92.53	-0.02	92.65	92.51	48053	101808
Sep	92.10	92.09	-0.01	92.20	92.08	21040	65166
Dec	91.78	91.78	-	91.89	91.78	17351	51922

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9325	0.06	0.02	0.08	0	0.74	1.22
9350	0	0	0.03	0.18	0.97	1.44
9375	0	0	0.01	0.44	1.22	1.87

Est. vol. total, Calls 16777 Puts 14525. Previous day's open int., Calls 284558 Puts 202192

EMS EUROPEAN CURRENCY UNIT RATES

Mar 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.07622	+0.002	-3.53	6.58	-
Germany	1.91007	1.85051	+0.00148	-3.12	6.12	-
Austria	13.4383	13.0244	+0.0090	-3.08	6.09	-
Belgium	39.3960	38.1806	-0.0584	-3.08	6.08	23
Portugal	195.792	195.084	+0.142	-0.36	6.13	2
Denmark	7.28580	7.43091	-0.00591	1.99	2.70	-14
France	6.40608	6.57123	-0.0139	2.58	2.12	-22
Spain	162.493	168.986	-0.432	4.00	0.73	-28
Ireland	0.792214	0.829848	-0.000619	4.75	0.00	-32
NON ERM MEMBERS						
Greece	292.867	300.620	+0.155	2.65	2.05	–
Italy	2106.15	2220.97	+13.34	5.45	-0.88	–
UK	0.786652	0.826032	-0.000771	5.01	-0.24	–

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.525	6.67	7.11	7.68	0.40	0.92	1.44
1.550	4.67	5.29	5.87	0.88	1.67	2.19
1.575	3.00	3.74	4.49	1.70	2.50	3.12
1.600	1.90	2.52	3.28	2.89	3.70	4.37
1.625	0.99	1.67	2.37	4.58	5.28	5.88
1.650	0.40	1.03	1.64	6.54	7.11	7.60

Previous day's vol., Calls 8,792 Puts 6,739. Prev. day's open int., Calls 306,131 Puts 295,410

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.54	93.50	-0.04	93.54	93.48	147,752	531,975
Sep	93.34	93.29	-0.05	93.34	93.26	135,228	321,124
Dec	93.15	93.10	-0.05	93.15	93.05	82,332	251,537

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.03	94.01	-0.05	94.04	93.99	2,957	18,974
Sep	93.85	93.82	-0.05	93.84	93.78	1,025	9,985
Dec	93.64	93.65	-0.07	93.65	93.64	165	6,516

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9475	0.12	0.17	0.20	0.15	0.06	0.13	0.16	0.43
9500	0.03	0.06	0.06	0.08	0.24	0.27	0.29	0.61
9525	0.01	0.01	0.02	0.03	0.46	0.47	0.47	0.83

Est. vol. total, Calls 11698 Puts 8480. Previous day's open int., Calls 124603 Puts 209663

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9600	0.19	0.17	0.14	0.09	0.32	0.59
9625	0.07	0.06	0.07	0.22	0.48	0.77
9650	0.03	0.04	0.04	0.43	0.69	0.99

Est. vol. total, Calls 0 Puts 5. Previous day's open int., Calls 556 Puts 480

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	•Singer & Friedlander	6.75
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	•Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	•Guinness Mahon	6.75	•United Bk of Kuwait	6.75
Bank of Cyprus	6.75	•Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	•Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	•Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
•Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	• Members of London Investment Banking Association	
Citibank NA	6.75	•Leopold Joseph & Sons	6.75	* In administration	
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Crédit Lyonnais	6.75	•Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		•Rea Brothers	6.75		

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Prf.		50½xd	—	117	50¼	6.31	19.8	-
9¼pc Non-Cum Prf		4¾	—	137½	3	1.90	-	-
Cater Allen	♣†N□	460	+12	*530¼	418	150.0	7.7	9.5
Close Bros	♣†N□	245xd	+1	*285½	203	233.2	4.6	11.1
Garrard & Nat	♣†N□	413	+6	515	335	201.1	7.3	11.9
Hambros	♣N□	211	+3	473	195	372.4	9.9	13.6
1½pc Cv Pf		95xd	-½	191	06	122.4	6.9	-
Joseph (L)	♣†N	383	—	443	363	20.3	5.8	11.1
King & Shaxson	♣N	27	—	170	88	15.1	12.9	8.6
Kleinwort Benson	♣N□	980xd	+11	693	434	774.3	4.6	11.3
Rea Bros	♣†N□	06	—	78	53	24.1	2.0	16.2
Schroders	♣N□	1476	+36	1674	1050	1,478	1.8	14.3
N/V	♣N	1333	+53	1458	1043	395.5	1.9	12.1
Singer & Fried	♣N□	82	—	114	75	159.2	5.5	Φ
Union	♣N□	748	+1	*199	70	19.7	5.1	Φ
Warburg (SG)	♣N□	170	+1	1912	589	1,582	3.9	13.0
Wintrust	♣†N	290xd	—	380	200	17.7	6.4	13.9

BANKS, RETAIL

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	222¼	+½	225½	219½	6,908	5.6	Φ
ANZ A$		233	+12	278¼	171	3,159	6.6	8.3
Abbey National	♣N□	437xd	-½	523	380½	5,737	5.1	9.4
Allied Irish I£	♣N□	261xd	+3	314	233	1,789	5.4	10.0
Anglo Irish I£	N□	51	—	70	50	176.6	6.7	16.3
Asahi Y	□	791	+6¼	819½	628	17,439	0.0	-
Banco Bil Viz Pta	□	815½	-½	817½	814½	3,599	6.2	7.1
Banco Sant Pta		824½	—	*830½	823¼	3,683	5.9	6.5
Bk Ireland I£	†N□	302	+2	*319	248	1,426	4.8	8.7
Bank Scotland	♣†N□	208	-2	247	172½	2,435	3.3	11.7
9¼pc Pf		116½	+¼	141½	106	116.5	9.9	-
9¾pc Pf		123	+½	148½	111¼	123.0	9.9	-
[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414101 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong [illegible]

	Selling Price	+ or -	Yield Gr's
A$ Accum	4017.380	[illegible]	[illegible]
A$ Dist	A$16.115	[illegible]	[illegible]
ASch Accum	Sch230.80	[illegible]	[illegible]
ASch Dist	Sch200.86	[illegible]	[illegible]
BFr Accum	BFr538.27	+0.22	[illegible]
BFr Dist	BFr502.54	+0.21	[illegible]
C$ Accum	C$17.361	+0.010	[illegible]
C$ Dist	C$15.117	+0.008	[illegible]
DKr Accum	DKr107.90	+0.04	[illegible]
DKr Dist	DKr100.55	+0.02	[illegible]
DM Accum	DM36.710	+0.011	[illegible]
DM Dist	DM30.130	[illegible]	[illegible]
DFl Accum	Dfl30.475	[illegible]	[illegible]
DFl Dist	Dfl26.119	[illegible]	[illegible]
ECU Accum	Ecu12.847	[illegible]	[illegible]
ECU Dist	Ecu10.055	[illegible]	[illegible]
FM Accum	FM105.34	+0.03	[illegible]
FM Dist	FM100.46	+0.03	3.80
FFr Accum	FFr82.245	[illegible]	[illegible]
FFr Dist	FFr50.209	+0.029	5.90
HK$ Accum	HK$117.97	+0.05	5.70
HK$ Dist	HK$100.72	+0.04	5.70
I£ Accum	I£11.444	+0.006	4.70
I£ Dist	I£10.062	+0.001	4.70
Lira Accum	L20045	+14	6.50
Lira Dist	L15141	+10	6.50
NZ$ Accum	NZ$35.368	+0.022	8.10
NZ$ Dist	NZ$30.326	+0.019	8.10
NKr Accum	NKr100.07	+0.03	3.90
[illegible]	[illegible]	[illegible]	[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.
Intl Currencies Fd Ltd

	Selling Price	+ or -	Yield Gr's
US$	$40.77	+0.01	4.91
Canadian $	C$31.40	+0.01	6.83
£ Sterling	£20.41		4.81
D-Mark	DM50.94	+0.01	3.69
Swiss Francs	SFr64.25	—	2.31
Japanese Yen	Y6531	—	1.21
Managed Fund	$43.00	—	-

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

	Selling Price	Buying Price	+ or -	Yield Gr's
GlobalSar Dollar Accum	$28.71	29.39	-0.04	-
GlobalSar Dollar Dist	$25.24	28.82	-0.04	2.88
GlobalSar-£	£16.01	18.98	-0.33	3.99
(Accum Units)	£18.45	19.60	-0.37	-

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

	Selling Price	Buying Price	+ or -	Yield Gr's
European Bd £	$11.0329	11.4171	—	7.88
Agents Stg Equity	£6.7857	7.0323	—	7.86

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Emerging Gth Linked Pfolio	$11.80	12.30	—	-

Apollo Investment Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Japan	£9.971	10.536	—	-
Tiger	£9.223	9.817	—	-

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Managed Currency	$10.75	10.79	—	-
International Bond	$10.91	10.95	-0.04	-

Buchanan Global Investment Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Cash, Gilt & Stg Fxd Int	£17.78	17.80	—	-
US Dollar Intl Bond & Ccy	$151.60	154.95	—	-
Sterling Intl Bond & Ccy	£98.75	101.31	—	-
Global Equity	[illegible]	[illegible]	—	-

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

[illegible]

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Merrill Lynch Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Dragon Portfolio				
Class A	$14.06		+0.17	-
Class B	$13.77		+0.17	-
Global Allocation Portfolio				
Class A	$10.15		+0.06	-
Class B	$10.00		+0.06	-
Pacific Equity Portfolio				
Class A	$9.12		-0.13	-
Class B	$9.09		+0.13	-
Global SmallCap Portfolio				
Class A	$8.83		+0.02	-
Class B	$8.81		+0.02	-
Technology Portfolio				
Class A	$10.22		+0.03	-
Class B	$10.22		+0.07	-

Morgan Stanley Sicav

	Selling Price	Buying Price	+ or -	Yield Gross
Asian Equity Mar 15	$2226.5715		-	-
Emerging Gwth Stk Mar 15	$1193.8186		-	-
Emerging Mkts Mar 15	$1085.3434		-	-
European Eqty Mar 15	Ecu1117.5940		-	-
Global Equity Mar 15	$1589.2882		-	-
Japanese Equity Mar 15	Y76891.7129		-	-
US Equity Gth Mar 15	$1043.2171		-	-
Deutschemark Bond Mar 15	DM1156.1018		-	-
European Bd Mar 15	Ecu1409.0605		-	-
Global Bond Mar 15	$1557.4758		-	-
Nth American Bd Mar 15	$1151.8189		-	-
High Yield Bond Mar 15	$1257.2757		-	-
Real Yield Mar 15	$1041.3008		-	-
International Small Cap Mar 15	Ecu811.1113		-	-
US Small Cap Equity Mar 15	$1054.8770		-	-
US Value Equity Mar 15	$1041.7086		-	-
Latin American Mar 15	$571.7986		-	-
Short Maturity Euro Bd Mar 15	Ecu1021.3215		-	-

Murray Universal, Sicav

	Selling Price	Buying Price	+ or -	Yield Gross
American Port Mar 8	$36.23	38.04	-	-
European Port Mar 8	9.10	9.55	-	-
Japan Port Mar 8	$223.37	234.68	-	-
Pacific Port Mar 8	$18.75	19.68	-	-

NICAM Asia Pacific Umbrella Fund

	Selling Price	Buying Price	+ or -	Yield Gross
Asia-Pacific	$13.34	13.62	-0.30	-
Hong Kong	$11.74	11.98	-0.05	-
Singapore	$14.08	14.36	-0.64	-
Malaysia	$14.70	15.00	-0.40	-
Thailand	$14.15	14.45	-1.00	-
Indonesia	$10.58	10.80	-0.77	-
Philippines	$15.48	15.79	-1.17	-
Greater China	$10.18	10.38	+0.16	-
Korea	$8.80	8.80	+0.24	-

*Price as at March 10

Nikko Asia Convertible Bond Fund

	Selling Price	Buying Price	+ or -	Yield Gross
Nikko Asia Conv Bond NAV	$9.59		-	-

Nikko Bank (Luxembourg) S.A.

	Selling Price	Buying Price	+ or -	Yield Gross
US Index Fd-SICAV NAV	$10.46		-	-
Euro Invest Fd NAV	Ecu10.04		-	-
Income Alpha Fund				
Portfolio A Shs	$103.24		-	-

OTHER OFFSHORE FUNDS

Wellington Fd Mngrs (Bermuda) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Intl Growth Fd	$14.37	15.06	+0.22	-

Wells Fargo U.S. IT Fund

	Selling Price	Buying Price	+ or -	Yield Gross
Wells Fargo A Shs (z)	$12.74		+0.10	-
Wells Fargo B Shs (z)	$14.84		+0.10	-

Worldwide Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Feb 28	$72.77		-	-

Xiphias International Investment Fd Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Xiphias Global Growth	$8.70		-	-
Xiphias Inf ECU Acc	Ecu1.2859		-	-
Xiphias Inf ECU Dis	Ecu1.0059		-	-

Yamaichi Capital Management (Guernsey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
The Tiger Fund	$20.36		-	-

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
A - Previous day's price.
GG - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
[illegible] - Only available to charitable bodies.
[illegible] - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

LONDON STOCK EXCHANGE

MARKET REPORT

Early gains lost following US economic data

By Terry Byland, UK Stock Market Editor

A sharp turnaround in UK equities left prices easier at yesterday's close as adverse data on the US economy outweighed more favourable news on the home front.

In early deals, the stock market advanced by more than 18 points on the FT-SE 100 Index scale, encouraged by a strong response from British government bonds to official statistics oo domestic retail sales, unemployment and average earnings. A gain of 1.2 per ceot in February retail sales contrasted with Tuesday's report from the Confederatioo of British Industries. But a dip in average earnings in January was regarded as favourable for the outlook on interest rates and inflation.

The market was still firm, albeit off the top, when New York opened. The US data on producar prices, industrial production and plant capacity were quickly seen as, on balance, indicating stronger growth than markets would have wished. This appeared to increase the dangers of a tightening in Federal Reserve credit policy in the near term.

Gains in UK share prices swiftly melted away as gilt-edged bonds also turned back from early strength and tha Dow Jones Industrial Average backed away from the record close of the previous day to show a fall of 14 points during London trading hours.

By the close, the FT-SE 100 Share Index was recording a net fall of 3.6 at 3,047. The FT-SE Mid 250 Index went against the trend which prevailed in equity and bond markets across Europe, and gained 13.7 points to 3,346.2.

There was a clear shift in sentiment during the trading session. At mid-sessioo, market strategists were pointing to a yield ratio in favour of equities of under 2 on some broker calculations; this has in the past been seen as a clear sign that equities offer better value than gilt-edged securities.

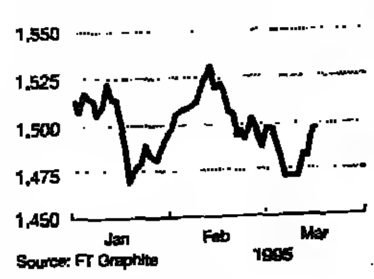
The downtick in equities was oot prompted by any great weight of selling but was stimulated by a significant check to bond markets in London.

Seaq volume was very slow to develop at first, but the pace quickened in the later part of the session, when share prices were turning off from their early firmness. At the close, Seaq trading totalled 701.7m ahares against 651.9m, a modest increase. Non-Footsie business made up around 55 per cent of the day's total. Retail, or customer, business in equities was worth £1.4bo on Tuesday.

The weakness at the close of the session was displayed mostly in the blue chip internationals which reacted to the late downturn in the US dollar and in US bonds. Reed International provided a firm exception, boosted by good profit figures. However, ICI, Glaxo, and Hanson, all significantly affected by US currency and market developments, closed lower.

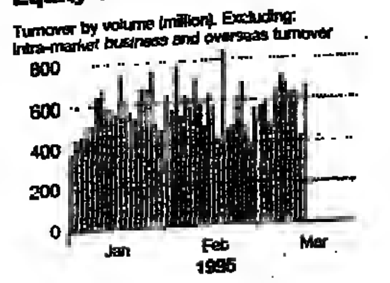
In contrast, domestic retail and consumer stocks outperformed the market, encouraged by the rise in last month's official retail sales figures. Strategists warned that some sectors of the market had not had time yesterday to catch up with the blue chip stocks' reaction to revived concern over prospects for interest rates in the US.

FT-SE-A All-Share index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3047.0	-3.6
FT-SE Mid 250	3346.2	+13.7
FT-SE-A 350	1514.3	n/c
FT-SE-A All-Share	1496.24	+0.22
FT-SE-A All-Share yield	4.24	(4.24)
FT Ordinary index	2337.9	-0.3
FT-SE-A Non Fins p/e	16.60	(16.63)
FT-SE 100 Fut Mar	3045.0	-12.0
10 yr Gilt yield	8.56	(8.60)
Long gilt/equity yld ratio:	2.04	(2.04)

Best performing sectors

1. Building & Construct .... +2.7
2. Banks, Merchant .... +1.8
3. Media .... +1.3
4. Transport .... +1.1
5. Health Care .... +1.0

Worst performing sectors

1. Tobacco .... -0.8
2. Oil, Integrated .... -0.7
3. Mineral Extraction .... -0.6
4. Pharmaceuticals .... -0.6
5. Diversified Industrial .... -0.6

Northern back in the frame

The Trafalgar House/Northern Electricity bid saga rumbled on with news that Northern is to allow Trafs to hid again after the oext regulatory review, triggering another surge in Northern's share price.

The stock raced up another 32 to 821p, a rise of over 4 per cent on the day, and the sixth-best performance in the FT-SE Mid 250 index. Yesterday's performance leaves Northern shares up 83 since the market first picked up the scent of Trafs being able to put its revised bid to shareholders.

One analyst said Northern's latest move came as no great surprise to the market, but added that the company should bave agreed to put the oew proposals to shareholders in the first place.

The electricity industry regulator, Professor Stephen Littlechild, is scheduled to outline his proposals for another review of the recs on March 24 and Trafs is said to want to move swiftly to rebid for Northern as sooo as possible after that. Trafalgar House shares eased a penny to 57p.

The other recs were mostly under pressure yesterday, with the two biggest companies in the sector, Eastern, 582p, and Southern, 607p, notably weak and down 11 apiece.

Magazine publisher Reed Internatiooal jumped 26 to 745p, the Footsie's biggest percentage rise, after figures that delighted the market.

Not only was the gronp profit of £620m at the top end of the range of analysts' forecasts but it masked a big pick-up in underlying growth. Also, the company statement was bullish about prospects in 1995. It predicted an upturn in the UK business advertising market and promising conditions in most of its activities.

There was particular enthusiasm for the recent acquisition of Lexis-Nexis, the electronic database group, which Reed bought last year and which was exceeding pre-acquisition expectations. Group forecasts for 1995 edged higher to between £700m and £710m.

The figures gave further impetus to Pearson which announces its profits on March 27. Pearson shares were already buoyed by strong results from Yorkshire Tyne Tees, the TV group in which the media conglomerate has a significant stake. But the shares jumped an additional 14 to 576p yesterday. Yorkshire improved 3 to 396p.

There was widespread relief in the market at the absence of any unexpected horrors in Schroders' preliminary figures in view of the revelations that have affected merchant banks in recent weeks.

And there was plenty of good news too, with the dividend total hoisted 24 per cent, against a consensus forecast of an increase of around 21 per cent. The marginally lower profits figures came at the lower end of the range of analysts' forecasts.

The merchant bank's shares were amongst the market's best performers all day, eventually closing a oet 38, or 2.6 per cent, higher at 1478p.

Another booster for the market was news of the proposed ooe-for-two scrip issue, to increase marketability of the shares.

"These are good figures," said one banking specialist, who added that the solid performance of the group would reintroduce an elemeot of confidence to the merchant banks sector in the wake of the Barings collapse.

Airports gronp BAA roared up the Footsie performanca charts, jumping 15 to 440p as scare stories about a possible widening of its regulation base evaporated.

The shares have been hit this year by sporadic bouts of concern thet the industry regulator would extend his price net to car parking and retail trading. But the Department of Trade has ruled that landing fees, 30 per cent of BAA's annual revenue, are to remain the sole area of regulation.

"This successfully scotches the Littlechild factor", said one analyst yesterday. The shares saw heavy turnover.

Northern Electricity apart, the water stocks easily outpaced the other utilities, with ABN-Amro Hoare Govett, the stockbroker, a strong supporter of the sector.

The broker's utilities team said: "The market has yet to focus on the potential for capex savings from the water companies over the next five years. This suggest the sector is undervalued. We calculate that £520m of capex savings could be used for dividend uplift." Southern Water looks well placed in this respect. Southern shares jumped 7 to 534p.

Housebuilders accounted for six out of the top ten performers in the FT-SE Mid 250. Marketmakers said the institutions had been chasing the stocks on bopes that UK interest rates had topped out.

Wilson(Connolly), reporting preliminary results on Tuesday, jumped 10¼ to 146½p, a rise of 7.7 per cent, closely followed by Redrow, up 7 to 108p, and John Laing "A", up 9 at 202p. Barratt Developmeot gained 7 at 174p and Beazer 5 to 134p.

The revelation, after the market closed on Tuesday, that Mohammed Abdul-Mohsin Karafi, one of the biggest construction groups in Kuwait, was the mystery buyer of a 7.5 per cent stake in Costain, saw the latter's share race up 3 to 14p. Up 27 per cent, Costain shares were the stockmarket's best individual performers.

Concern over the dollar affected the UK's leading international companies. Cooglomerate Hanson ended the day a net 4¼ lower at 234½ after being higher earlier. Other turnarounds included Glaxo, down 7 to 690p on the day.

A nervous edge crept into trading in hid favourite United Biscuits with the shares dipping 4 to 339p ahead of today's results statement. The shares have performed strongly since the latest round of takeover rumours swept through the market, outpacing the FT-SE-A All-Share Index by more than 10 per cent since early February. The immediate investor focus, however, is on cash-flow and whether the group can restore profits to 1992 levels of £162m. The consensus among analysts looks to be £160m, with the dividend to be held at 15.3p.

Talk of a bread price rise underpinned AB Foods which added 4 to 582p.

Lucas Industries rose 8 to 198p in heavy trading as eothusiasm built up in advance of next Monday's interim results. The shares saw 7.2m traded as analysts speculated on the chances of a set of upbeat numbers from the group.

The market range of profit forecasts looks to be £45m to £55m, on the back of strong orders and improving operating margins. Glynwed added 9 to 302p following a buy recommendation from Credit Lyonnais Laing.

GrandMet traded 10m shares, boosted by a oumber of agency crosses and some big delayed US trades. The shares dipped 2 to 376½p.

British Airways added 1½ to 386p in 8.2m turnover following stronger than expected half-year results from Qantas, its 25 per cent-owned associate.

Top of the market jewellery chain Asprey continued to slide, falling 16 to a new low for 1994-95 of 68p. At one stage last year the shares stood at 357p.

FINANCIAL TIMES EQUITY INDICES

	Mar 15	Mar 14	Mar 13	Mar 10	Mar 8	Yr ago	*High	*Low
Ordinary Share	2337.9	2338.2	2307.4	2311.9	2288.8	2552.8	2713.6	2238.3
Ord. div. yield	4.53	4.53	4.58	4.57	4.80	6.64	4.86	3.43
Earn. yld. % full	7.32	7.31	7.39	7.37	7.21	4.95	7.39	3.82
P/E ratio net	16.28	16.30	16.11	16.16	16.40	21.95	33.43	16.11
P/E ratio nil	15.94	15.95	15.77	15.81	15.94	22.93	30.80	15.77

*For 1994/5. Ordinary Share Index since compilation: high 2713.6 2/02/94: low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2345.6	2349.3	2349.1	2347.5	2346.1	2346.5	2346.1	2344.3	2339.2	2350.9	2337.6

	Mar 15	Mar 14	Mar 13	Mar 10	Mar 9	Yr ago
SEAQ bargains	29,851	27,947	23,987	24,980	26,088	30,376
Equity turnover (£m)†	-	1403.6	1004.9	1563.1	1497.8	1458.1
Equity bargains†	-	37,672	34,179	33,293	36,226	34,894
Shares traded (ml)†	-	666.8	424.2	631.4	620.5	591.3

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	732	Total Highs	34	Total contracts	46,427
Total Falls	519	Total Lows	81	Calls	16,247
Same	1607			Puts	30,180

March 15 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3055.0	3045.0	-12.0	3076.0	3041.0	19109	27967
Jun	3060.0	3050.0	-11.5	3080.0	3046.0	10494	41930
Sep	3093.5	3073.5	-13.0	3101.0	3093.0	108	1000

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3345.0	3342.5	+15.0	3350.0	3345.0	134	545
Jun	3367.0	3365.0	+15.0	3375.0	3367.0	140	3866

FT-SE 100 INDEX OPTION (LIFFE) (*3048) £10 per full index point

[illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 2,470 Puts 5,554 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E ratio
150	F.P.	511.0	165	154	Albright & Wilson	163	+1	RN8.0	1.5	4.5	18.1
§10	F.P.	16.1	13¼	12	Bath Press	12¼	-	-	-	-	-
-	F.P.	20.5	201	198	Beale	200		[illegible]	-	3.7	-
-	F.P.	26.5	126	123	Colleagues	126	-	-	-	-	-
§129	F.P.	15.6	135	130	Dailywin	135		[illegible]			
§125	F.P.	21.1	131	128	GET Group	126		[illegible]			
100	F.P.	30.0	101	100	Geared Inc Inv C	100					
§135	F.P.	16.6	138	125	Golden Rose	125	-2	-	-	-	-
100	F.P.	153.6	98	95	HTR Inc Gth Sp Inc	98	+1	-	-	-	-
100	F.P.	94.0	105	102	Do. Zero Div Pf	104¼	+1½	-	-	-	-
-	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84		-	-	-	-
-	F.P.	2.91	59	55	Do. Warrants	56		-	-	-	-
35	F.P.	21.4	36	33	MCIT S Cap	33		-	-	-	-
35	F.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
-	F.P.	0.35	5	3	Melrose Warrants	6½		-	-	-	-
476	170	6,121.6	193	163½	*Natl Power (P/P)	171½		FN15.45	2.6	4.0	13.1
150	F.P.	15.8	160	150	Photobition	153		RN6.0	2.0	4.9	11.1
5½2	185	4,046.7	206	176½	*PowerGen (P/P)	188½	+1½	FN15.0	3.2	3.5	11.1
-	F.P.	73.3	498	493	Schroder I G Uts	495		-	-	-	-
-	F.P.	24.1	101½	100	Throg Dl Zero Pf	101½	+½	-	-	-	-
-	F.P.	4.40	11¼	10½	Wessex Trust	11		-	-	-	-
145	F.P.	64.5	183	170	Zotefoams	178	-2	W4.65	2.1	3.3	18.0

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Mar 14	% chg on day	Mar 13	Mar 10	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1836.52	+0.9	1838.19	1819.23	2041.76	2.09	2337.90	1637.81
Regional Indices								
Africa (16)	2722.57	-0.6	2738.86	2745.12	2805.60	4.97	3711.87	2304.45
Australasia (7)	2090.30	+2.0	2049.25	2018.07	2863.42	0.84	2851.49	1788.20
North America (11)	1541.72	0.0	1542.38	1513.98	1727.72	0.73	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Mar 15	Day's chge%	Mar 14	Mar 13	Mar 10	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3047.0	-0.1	3050.6	3011.6	3021.1	3242.9	4.43	8.09	14.83	21.80	1171.70
FT-SE Mid 250	3346.2	+0.4	3332.5	3315.8	3320.4	3890.4	3.82	6.82	17.63	14.88	1266.23
FT-SE Mid 250 ex Inv Trusts	3352.5	+0.4	3338.5	3320.6	3326.6	3906.0	3.97	7.38	16.39	14.98	1266.83
FT-SE-A 350	1514.3	----	1514.3	1497.6	1501.7	1644.6	4.30	7.80	15.38	9.92	1190.87
FT-SE-A 350 Higher Yield	1531.5	-0.2	1534.4	1515.0	1521.0	1651.3	5.33	8.40	14.35	13.80	992.22
FT-SE-A 350 Lower Yield	1496.5	+0.2	1493.8	1479.6	1482.0	1596.4	3.26	7.21	16.57	5.96	990.50
FT-SE SmallCap	1684.15	+0.2	1681.04	1678.61	1676.68	2009.70	3.53	5.22	23.77	8.81	1323.19
FT-SE SmallCap ex Inv Trusts	1662.73	-0.2	1659.93	1658.18	1659.93	1989.47	3.74	5.83	21.58	8.37	1610.51
FT-SE-A ALL-SHARE	1496.24	----	1496.02	1480.65	1484.36	1636.52	4.24	7.60	15.81	9.65	1196.47

FT-SE Actuaries All-Share

	Mar 15	Day's chge%	Mar 14	Mar 13	Mar 10	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2627.15	-0.6	2644.12	2618.15	2629.52	2519.82	3.91	6.61	16.67	9.36	1084.39
12 Extractive Industries(7)	3496.62	-0.3	3505.69	3441.07	3474.88	3944.64	4.02	7.88	15.80	1.44	965.27
15 Oil, Integrated(3)	2627.40	-0.7	2647.17	2620.80	2630.28	2423.67	4.02	7.14	17.46	11.39	1089.64
16 Oil Exploration & Prod(14)	1871.00	-0.4	1878.47	1882.80	1896.89	1836.16	2.61	1.45	80.00†	4.65	1085.19
20 GEN INDUSTRIALS(278)	1800.19	+0.1	1797.54	1780.68	1783.99	2158.87	4.37	6.76	17.83	8.15	930.16
21 Building & Construction(36)	924.90	+2.7	900.54	890.48	891.00	1451.68	4.22	7.15	18.07	2.08	731.94
22 Building Matls & Merchs(31)	1683.40	+0.7	1670.99	1663.17	1662.80	2291.36	4.59	7.48	15.79	0.88	801.59
23 Chemicals(23)	2152.82	----	2153.12	2145.88	2179.80	2462.80	4.43	5.81	20.63	22.80	972.23
24 Diversified Industrials(17)	1790.53	-0.6	1800.46	1767.15	1766.03	2152.07	5.31	7.36	16.40	13.34	934.07
25 Electronic & Elect Equip(36)	1887.20	+0.3	1882.16	1866.70	1871.88	2095.20	3.84	6.98	17.02	2.82	838.88
26 Engineering(72)	1740.05	----	1740.92	1733.47	1732.36	1986.93	3.54	6.42	18.70	8.64	1008.04
27 Engineering, Vehicles(13)	2143.38	+0.9	2123.64	2121.33	2120.52	2341.83	4.26	3.13	42.94	5.64	1052.03
28 Paper, Pckg & Printing(27)	2703.76	+0.2	2699.32	2675.64	2674.29	3017.88	3.42	7.07	16.51	0.17	1070.47
29 Textiles & Apparel(21)	1409.06	+0.2	1406.73	1404.27	1409.77	1929.67	4.85	7.54	17.23	1.68	807.77
30 CONSUMER GOODS(95)	2878.95	-0.3	2886.55	2857.63	2858.59	2862.42	4.36	6.79	17.83	25.80	1009.37
31 Breweries(18)	2108.44	-0.2	2112.78	2098.17	2105.21	2243.82	4.55	8.74	16.80	11.98	965.98
32 Spirits, Wines & Ciders(10)	2549.17	-0.3	2556.23	2508.01	2516.90	3061.05	4.47	7.72	15.31	26.30	670.40
33 Food Producers(24)	2356.04	+0.3	2347.96	2338.24	2343.41	2344.50	4.26	7.87	15.77	14.70	1008.76
34 Household Goods(10)	2451.95	+0.8	2431.29	2417.74	2459.48	2672.16	3.64	6.82	17.65	1.97	888.98
36 Health Care(18)	1604.19	+1.0	1588.74	1593.43	1593.55	1776.18	3.21	3.59	38.12	6.40	938.63
37 Pharmaceuticals(13)	3648.32	-0.6	3670.50	3638.42	3626.65	3072.92	3.96	4.62	26.03	48.61	1186.41
38 Tobacco(2)	3635.20	-0.8	3664.28	3692.72	3588.05	4005.79	6.26	11.27	11.80	0.00	829.22
40 SERVICES(230)	1848.24	+0.4	1841.08	1823.80	1826.29	2092.23	3.47	7.09	17.10	7.11	919.56
41 Distributors(32)	2265.74	-0.2	2271.02	2274.27	2289.74	3101.03	4.18	7.91	15.02	11.80	795.66
42 Leisure & Hotels(28)	2068.64	-0.1	2070.57	2048.48	2048.55	2313.05	3.69	5.50	21.94	21.68	1036.51
43 Media(43)	2744.31	+1.3	2708.73	2677.43	2683.18	3232.57	2.74	6.82	18.93	6.35	957.77
44 Retailers, Food(16)	1810.00	----	1809.33	1787.57	1792.68	1647.42	3.64	8.85	13.85	2.69	1093.96
45 Retailers, General(44)	1523.70	+0.1	1521.87	1505.43	1507.82	1761.73	3.52	7.59	16.32	5.26	832.15
48 Support Services(36)	1452.91	-0.2	1456.21	1443.26	1438.12	1731.88	2.08	7.16	18.83	3.21	891.61
49 Transport(21)	2138.80	+1.1	2115.01	2101.95	2108.94	2568.55	4.00	7.05	16.86	6.31	647.19
51 Other Services & Business(7)	1161.34	+0.4	1156.21	1153.34	1154.09	1226.44	3.80	4.78	28.25	5.42	1012.12
60 UTILITIES(37)	2214.44	+0.2	2217.96	2192.36	2205.07	2431.49	4.91	9.44	12.56	6.85	872.50
62 Electricity(17)	2130.75	-0.2	2135.57	2115.65	2131.46	2334.69	4.80	12.21	9.78	19.89	811.86
64 Gas Distribution(2)	1899.19	-0.2	1902.39	1874.09	1880.24	2066.54	6.61	7.28	17.18	0.00	892.03
66 Telecommunications(5)	1920.96	-0.4	1928.03	1904.27	1909.27	2130.20	4.25	7.00	17.41	0.13	833.75
68 Water(13)	1720.03	+0.9	1705.05	1690.85	1717.17	1869.86	5.82	13.94	7.63	4.62	677.05
69 NON-FINANCIALS(684)	1615.95	----	1616.48	1600.13	1604.05	1760.90	4.18	7.28	16.60	8.17	1160.01
70 FINANCIALS(118)	2143.89	+0.2	2139.75	2112.72	2121.01	2365.74	4.90	10.52	11.31	29.64	868.07
71 Banks, Retail(9)	2814.28	+0.1	2810.51	2767.80	2783.96	3047.71	4.87	12.63	9.24	54.28	864.13
72 Banks, Merchant(6)	2978.36	+1.9	2926.83	2903.71	2896.12	3081.97	3.89	9.40	12.91	15.72	909.29
73 Insurance(26)	1197.87	+0.2	1195.11	1178.39	1184.14	1353.44	5.91	10.24	12.40	21.58	843.55
74 Life Assurance(6)	2460.37	+0.6	2445.62	2408.40	2408.26	2586.86	5.21	7.57	16.10	0.00	952.16
77 Other Financial(23)	1846.26	----	1846.64	1836.14	1826.05	2035.93	4.10	6.49	13.95	11.01	1064.50
79 Property(46)	1361.89	-0.4	1367.12	1369.28	1369.46	1705.75	4.44	5.03	24.86	4.38	792.74
80 INVESTMENT TRUSTS(133)	2569.88	+0.3	2562.45	2553.43	2547.71	2930.43	2.46	2.00	50.03	11.79	872.24
89 FT-SE-A ALL-SHARE(915)	1496.24	----	1496.02	1480.65	1484.36	1636.62	4.24	7.80	15.81	9.65	1196.47
FT-SE-A Fledgling	949.24	----	949.50	949.00	949.47	-	3.10	-	-	4.58	953.88
FT-SE-A Fledgling ex Inv Trusts	947.15	-0.1	947.65	947.47	948.61	-	3.28	-	-	4.78	951.77

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3061.6	3066.8	3068.4	3062.4	3060.5	3060.5	3061.4	3058.5	3048.2	3069.0	3046.8
FT-SE Mid 250	3342.3	3347.3	3346.5	3347.8	3349.0	3350.4	3351.1	3348.3	3345.7	3351.2	3342.3
FT-SE-A 350	1519.5	1522.0	1521.8	1520.4	1518.8	1519.9	1520.4	1519.0	1514.7	1522.9	1514.2

Time of FT-SE 100 Day's high: 9.15am Day's low: 4.29pm. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	882.3	896.0	889.9	896.5	900.9	902.3	903.4	903.9	904.4	904.4	876.5	+27.9
Pharmaceuticls	3652.1	3656.1	3654.0	3640.8	3639.5	3638.3	3640.2	3641.0	3625.3	3619.9	3642.5	-22.6
Water	1714.5	1728.4	1719.5	1717.4	1717.7	1726.9	1726.1	1722.3	1712.9	1712.2	1697.0	+15.2
Banks, Retail	2868.1	2878.6	2876.2	2876.3	2873.4	2873.1	2874.3	2867.9	2851.0	2850.2	2846.5	+3.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 15 / Sch)

BELGIUM/LUXEMBOURG (Mar 15 / Frs.)

CZECH REP (Mar 15 / Koruna)

DENMARK (Mar 15 / Kr)

FINLAND (Mar 15 / Mks)

FRANCE (Mar 15 / Frs.)

GERMANY (Mar 15 / Dm.)

GREECE (Mar 15 / Drachma)

ITALY (Mar 15 / Lira)

NETHERLANDS (Mar 15 / Fls.)

NORWAY (Mar 15 / Kroner)

POLAND (Mar 14 / Zloty)

PORTUGAL (Mar 15 / Escudo)

SPAIN (Mar 15 / Pts.)

SWEDEN (Mar 15 / Kronor)

SWITZERLAND (Mar 15 / Frs.)

TURKEY (Mar 15 / Tk Lira)

PACIFIC

JAPAN (Mar 15 / Yen)

HONG KONG (Mar 15 / H.K.$)

INDONESIA (Mar 15 / Rupiah)

MALAYSIA (Mar 15 / MYR)

NEW ZEALAND (Mar 15 / NZ $)

SINGAPORE (Mar 15 / S$)

AUSTRALIA (Mar 15 / Aust$)

SOUTH KOREA (Mar 15 / Won)

TAIWAN (Mar 15 / TW $)

THAILAND (Mar 15 / Baht)

MONTREAL (Mar 15 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Mar 15 / Rand)

NORTH AMERICA

CANADA

TORONTO (Mar 15 / Can $)
4 pm close

INDICES

US INDICES

Standard and Poors							
Composite ‡	492.89	490.05	489.57	492.89 (14/3/95)	438.92 (4/4/94)	492.89 (14/3/95)	4.40 (1/6/32)
Industrials♥	585.71	582.66	581.69	585.71 (14/3/95)	510.05 (21/4/94)	585.71 (14/3/95)	3.62 (21/6/32)
Financial	45.70	45.43	45.51	48.84 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	266.53	265.17	264.83	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	453.91	453.06	452.78	487.80 (2/2/94)	420.23 (13/12/94)	487.80 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	808.24	802.31	802.22	808.24 (14/3/95)	693.79 (24/6/94)	808.24 (14/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 10	Mar 3	Feb 24	Year ago
Dow Jones Ind Div. Yield	2.70	2.73	2.69	2.61
	Mar 8	Mar 1	Feb 22	Year ago
S & P Ind. Div. yield	2.36	2.36	2.36	2.37
S & P Ind. P/E ratio	17.32	17.32	19.60	24.53

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Compaq	6,467,800	31⅞	-1½
Telefonos	6,358,300	26⅝	-⅝
RJR Nabisco	5,240,900	5⅝	—
Toys R Us	5,123,500	24	+¼
EMC Corp	5,055,700	10	-⅞
Sports & Rec	4,773,200	10¼	-7⅛
Amer T & T	3,451,700	52⅛	+1½
McDonalds	3,306,800	35¼	+⅞
YPF Sociedad	3,142,200	17⅝	+¼
Motorola	2,957,000	58⅝	+⅝

■ TRADING ACTIVITY

● Volume (million)

	Mar 14	Mar 13	Mar 10
New York SE	346.144	268.165	382.942
Amex	17.422	15.137	16.799
NASDAQ	315.930	252.192	303.291
NYSE			
Issues Traded	2,960	2,967	2,958
Rises	1,438	1,118	1,596
Falls	790	1,101	647
Unchanged	732	747	715
New Highs	109	83	62
New Lows	27	27	33

INDEX FUTURES

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, March 15, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fudo Const	13.8m	885	-55	Keiyo Bank	6.2m	609	+25
Sumitomo Const	13.1m	670	-7	Chiba Bank	6.2m	717	-3
Fuji Bank	13.0m	1880	-70	LTCB	5.1m	740	
Tobu Railway	11.7m	563	+5	Toshiba	4.4m	576	+5
Penta Ocean	8.8m	714	-15	Nip Steel	4.2m	335	+4

4 pm close March 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¾	12⅞	AAR	0.48	3.6	24	38	13⅝	13¼	13⅜	
22⅛	19¼	ALPharmaA	0.18	0.9	264	626	21¼	20⅞	21⅛	+⅛
38¾	35	AMP	0.92	2.5	20	4244	37⅝	36⅝	36¾	-⅝
62¾	53⅜	AMR			27	5946	62	61⅛	61⅛	+⅛
47⅞	41⅞	ASA	1.77	3.7	30	1461	46¾	45⅝	45¾	-¼
37⅝	30¾	AbbtL	0.84	2.3	19	13295	37½	36¾	36¾	-⅝
14	12	AbitibiPr	0.50	3.8	11	2294	13⅛	13	13⅛	-⅛
24⅝	22⅛	ABM Ind	0.60	2.8	13	8	23	22⅞	22⅞	+⅛
16⅝	14½	Acpincoin			11	330	15½	14¾	15	-½
25⅞	21⅞	ACE Ltd	0.44	1.9	1	251	23½	25	23⅜	
9¾	8½	ACM Gvt In	0.90	10.4	7	316	8⅝	d8½	8⅝	-⅛
7½	6½	ACM GvOpp	0.66	10.0		177	6¾	d6½	6⅝	
7½	6¼	ACM Gvt Sp	0.75	12.5		282	6⅛	5⅞	6	
8⅝	7½	ACM Gvt Se	0.90	12.0		201	7⅝	d7⅜	7½	
8½	7⅝	ACM Man	1.00	13.8		358	7⅞	7¾	7¾	
7⅝	7⅛	ACM Managd	0.72	10.1		198	7⅛	d7⅛	7⅛	
16¾	13⅛	AcmeClv	0.48	3.5	8	34	13⅞	13⅝	13¾	
21½	12⅞	Acme Elect			20	73	18	17½	17½	-⅝
34½	31⅜	Acordia	0.72	2.2	16	11	32¾	32½	32¾	+⅜
11⅛	8⅝	Actava	0.36	3.1	7	246	9⅞	9⅝	9⅝	-⅛
16¾	11⅞	Acuson			19	519	12⅜	12¼	12⅜	-⅜
16⅝	15⅝	Adams Expr	0.36	2.2	8	65	16¼	16⅛	16¼	
68½	53	Ad Micro	3.00	4.5		66	66	66	66	
35⅝	25	AdvMic	3.00	0.7	11	4722	34¾	34½	34⅝	-⅛

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close March 15

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11⅝	10⅝	Salomon Br	0.38	3.4	23	217	11⅛	11¼	11¼	-⅛
40⅛	32⅛	Salomon	0.64	1.9	8	3520	34½	33⅝	33¾	-½
21⅝	19⅛	SDgGE	1.56	7.5	17	393	21	20⅝	20⅞	-⅛
9⅝	8	SantaFeERs	0.10	1.7	154	269	9⅜	9¼	9¼	-⅛
12⅞	9	SFeEd			27	5410	u12¾	13⅛	12½	+⅜
35¾	33¼	SFePipe	2.00	7.7	9	25	36½	36¼	36½	
22¾	17⅛	SaraFaP	0.10	0.4	21	4734	22⅜	22	22⅜	
27⅛	24¾	SaraLee	0.68	2.5	55	7020	u27⅜	26⅞	27⅛	
45⅛	42	Scana Corp	2.88	6.8	13	199	42⅝	42½	42⅝	-⅛
16¾	14½	Scecrp	1.00	6.4	10	2643	15¾	15½	15⅝	
11¼	8¾	SchwtkA	0.26	2.8	31	80	9¼	8⅞	8⅞	-¼
46¼	42⅛	SchererRP			29	66	45⅞	45⅝	45⅝	
79⅛	71	SchrPl	2.04	2.7	15	3901	76⅞	76⅜	76⅜	-⅛
59¼	50⅛	Schlmb	1.20	2.1	25	2872	57⅝	57	57⅜	-½
48⅞	28⅜	Schwab(C)	0.24	0.8	20	2875	31⅞	31⅛	31⅝	+⅛
10⅞	7¾	Schwitzer			0	97	10	9⅞	9⅞	
24½	17½	SciAtl	0.06	0.3	30	1174	24¼	23⅜	23⅞	-½
18⅝	16⅞	Scotsman	0.10	0.5	12	121	18¼	18⅛	18¼	+⅛
85⅜	67⅛	ScottP	0.50	1.0	23	4537	84⅜	82⅛	84⅛	+1⅛
30⅛	26⅞	Scripps	0.44	1.5	17	62	28⅝	28¼	28⅝	+⅛
21½	14⅜	ScudderNAsF	0.02	0.1		111	15	14⅞	14⅞	
9¼	8¾	ScudderNSoF	0.16	1.8		132	9	8⅞	9	
14⅞	13⅜	SeaCnB	0.70	5.2	8	38	13¾	13½	13½	-½
10	14¾	SeaC1.4625	1.46	9.8		10	15	14⅞	14⅞	+⅛
26	23⅝	S'gate			7	3160	26⅜	25⅞	26⅛	
31	26⅜	Seagrm	0.60	2.0	14	4869	30¼	30⅞	30¼	+⅛
19¾	16¼	Seagull En			155	2151	18	17⅝	17⅝	-¼
44	35⅞	Sealed Air			23	803	u44½	[illegible]	[illegible]	[illegible]
[illegible]										

4 pm close March 15

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close March 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Cntrl FdA	0.01		297	4⅞	4$\frac{13}{16}$	4⅞	+¼
Cominco	0.30	6	16	15½	15⅜	15½	
Greenman		6	2	4½	4½	4½	
Gulf Cda	0.34	3	171	3$\frac{11}{16}$	3⅝	3⅝	-$\frac{1}{16}$
NumacE		26	6	5¼	5¼	5¼	+⅛
Xytronix		2	154	2	1¾	1⅞	+$\frac{1}{16}$

AMERICA

Stronger than forecast data undermine Dow

Wall Street

US shares lost ground yesterday morning as bond and currency markets slipped after the most recent set of economic data came in mostly stronger than expected, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was 6.23 lower at 4,042.52. The Standard & Poor's 500 dropped 0.88 at 492.01, and the American Stock Exchange composite fell 0.66 at 453.25. Meanwhile, the Nasdaq composite lost 0.91 at 807.33. Volume on the NYSE was 181m shares.

The market posted solid gains on Tuesday after retail sales figures were down slightly while most analysts had expected a modest increase. Yesterday's reversal came after the producer price index, industrial production and capacity utilisation figures were all stronger than the median forecast.

Analysts were divided about whether the stronger-than-expected PPI figures indicated that price pressures were finally emerging at the level of finished goods but economists were moved from their views that the Federal Reserve was not likely to raise interest rates again at the March 28 meeting of its Open Market Committee.

Technology shares were off with the Pacific Stock Exchange technology index losing just over 0.4 per cent. In individual shares Microsoft fell $¾ at $71⅞. Lotus Development $¾ at $41 and Borland International $⅛ at $9¾.

Union Carbide was up $1 at $29¾ after the company said that it believed that first quarter earnings would exceed analysts' expectations.

AMR, the parent company of American Airlines, fell $¼ at $61¼. The company was expected to announce a management restructuring later in the afternoon. Meanwhile, UAL, the parent of United Airlines, was up $¼ at $92⅛ after it announced it would seek approval to operate service between the US and Canada.

Standard Products lost $2⅞ at $20 after the company said that it expected third and fourth quarter earnings to be lower than those for the same period last year.

Motorola dropped $1¼ at $57½ after Comcast announced that it would replace the company with AT & T as its primary supplier of cellular equipment. AT & T appeared unaffected by the news as its shares fell $¼ at $52. Comcast shares were down $1/16 at $15 5/16.

American depository receipts of Consorcio Grupo Dina rose $½ at $3 after an analyst at Prudential Securities upgraded the Mexican manufacturer to "buy" from "hold".

Ralcorp Holdings lost $1¼ after Goldman Sachs removed the food production and resorts company from its recommended list. Megatest gained 8 per cent, rising $¾ at $10¼ after Montgomary Securities upgraded the integrated circuit manufacturer and Pioneer Standard Electronics rose $1 at $19 after Lehman Brothers initiated coverage of the electronic components distributor.

Latin America

Brazilian shares fell by 2.2 per cent at midday as investors took profits after the 41 per cent rally of the previous three sessions. The Bovespa index was 672 lower at 29,497 at 1 pm in volume of R$150.8m ($170.3m). Telebras preferred traded 4.6 per cent lower at R$23.70 while Petrobras preferred was marked 1.4 per cent down at R$68.50.

BUENOS AIRES also fell prey to profit-takers after its 33 per cent surge since last Friday with the Merval index down 8.98 or 2.6 per cent at 340.39 in late morning trade. Turnover was a heavy 22m pesos with losers beating gainers by 30 to six, and with nine issues unchanged.

Banco Francés surged 35 per cent on arbitrage trade to bridge the gap with its ADRs on Wall Street. The share was not traded on Tuesday on a lack of sellers after it jumped by its maximum daily 15 per cent limit, but it opened yesterday without a fixed ceiling.

MEXICO CITY recovered from early losses to rise 1.2 per cent shortly before midday on arbitrage operations from the peso's fall. The IPC index was 19.05 higher at 1,610.12 in late morning trade with equity prices supported by foreign demand after the peso's decline on the foreign exchanges.

Canada

Toronto resisted the New York downturn, helped by a strong gold price. The TSE 300 index was 3.42 higher at 4,193.96 at midday, in 29.1m shares valued at C$350.75m.

London gold fixed at US$386.15 an ounce compared with US$384.70 on Tuesday, and Toronto's precious metals index rose 1.2 per cent to 9,585.02.

Among active stocks, Gandalf Technologies gained C$⅝ at C$5¾ in 1.5m shares on reports of a deal with Bell Atlantic for a one-stop technological consulting and delivery service for large businesses.

SOUTH AFRICA

Futures driven dealings were a major influence on Johannesburg as the market made little response to what was seen as an investor friendly budget which drove the rand higher. The overall index picked up 9.4 to 5,277.4 as, in late trade, industrials tumbled from their best levels to finish 15.5 higher at 6,617.4.6 and golds found renewed favour to close 31.7 ahead at 1,545.2.

De Beers rose 150 cents to R87.50, Anglos were unchanged at R194, and SAB fell R2 to R100.

EUROPE

Paris takes late dive in wake of dollar

Higher than expected US February wholesale inflation data prompted weakness in the dollar and other sensitive currencies, rising bond yields and a lower start on Wall Street, *writes Our Markets Staff.* Bourses, which have recently been ready to change direction on a daily basis, duly subsided.

PARIS took a horrified look at the dollar and followed it down after trading in a very narrow range for most of the day. The CAC-40 index closed 30.39, or 1.7 per cent, lower at 1,736.60 in turnover of FFr3.56bn.

Dealers said that the late downturn was led by financials in the expectation of higher US bond yields. BNP, which fell FFr10.30 to FFr216.70, also featured in French newspaper reports as a potential bidder for Suez, down just 70 centimes at FFr241.60. UAP fell FFr6.50 to FFr113.50, Axa FFr7 to FFr232.10 and Paribas FFr6.20 to FFr273.50.

On the periphery of the sector, Credit Lyonnais hit yet another new low, down FFr23 at FFr280 as the French economy minister, Mr Edmond Alphandery, said that the bank would have to pay out part of its future earnings to cover past deficits. Thomson-CSF rose FFr1.70 to FFr131.10 on expectations that the company will attempt to rid itself of its Credit Lyonnais stake.

FT-SE Actuaries Share Indices

Mar 15 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1248.21	1247.87	1245.27	1246.79	1248.82	1245.33	1242.83	1239.58
FT-SE Eurotrack 200	1343.17	1340.29	1339.16	1339.38	1340.84	1340.56	1337.83	1332.96

THE EUROPEAN SERIES

	Mar 14	Mar 13	Mar 10	Mar 9	Mar 8
FT-SE Eurotrack 100	1242.42	1222.41	1231.87	1227.91	1243.54
FT-SE Eurotrack 200	1334.29	1321.71	1323.21	1314.73	1326.51

Base 1000 (26/10/90); Highday: 100 - 1248.66, 200 - 1342.49 Lowday: 100 - 1238.77 200 - 1332.96 ; Partial

There were other depressants. Renault sank FFr8.70 to FFr157.30 after two major trade unions called for massive work stoppages at all of its plants and subsidiaries today. Peugeot fell FFr13 to FFr637.

Schneider dropped FFr8.10 to FFr335.10 on its bid for the minority in its loss-making subsidiary, Spie Batignolles. Dollar-sensitive stocks also came under pressure, with Elf Aquitaine down FFr5.40 at FFr366.

FRANKFURT fell after the previous day's gains, following the depressing regularity of its recent trading pattern. The Dax index peaked at 2,023.69, ended the session at 2,010.14 and closed the post bourse at 1,995.22, down 27.28 or 1.35 per cent on the day.

Turnover eased from DM6.5bn to DM6bn. In chemicals, DB Research upgraded its 1995 and 1996 earnings estimates for Bayer and BASF, but it was a bad day for market impact: Bayer fell by a below average DM2.90 to DM343.10, but BASF dropped DM6 to DM294 as Hoechst fell DM6.70 to DM295.30; the extent of each company's weakness mirrored their relative strength of the previous day.

Overall, it was a bad day for cyclicals with Daimler, MAN and Volkswagen down DM18.80 to DM638.20, DM13 to DM364 and DM13.50 to DM351.10 in the automotive sector. In engineering, Deutsche Babcock, fell DM7.50, or 4.4 per cent, to DM162.50 as it saw flat profits for the current year more than doubling in 1996-97.

MILAN investors kept their heads down after Mr Lamberto Dini, the prime minister, raised the political stakes by calling a parliamentary confidence vote for today, which will put at risk the future of his government and the passage of the mini budget. The Comit index fell 3.80 to 577.24 while the real-time Mibtel index dropped 172 or 1.8 per cent to 9,516.

The Ferruzzi group remained on the downward path, with investors apparently still not convinced by the group's denial of any plans to raise fresh capital. Ferfin dropped L72 or 6.5 per cent to L1,028 and Montedison was L49 down at L1,082.

Cir fell L45 to L1,393, off a low of L1,355 in spite of the company's denial of market speculation about "bad surprises" in the results. Olivetti lost L50 to L1,793.

Banks remained under pressure. Banco di Napoli plunged another L95 or 8 per cent to L1,098 after Tuesday's 6.4 per cent fall, which followed its announcement of record losses of L995bn in 1994.

Populare di Milano, suspended on Tuesday ahead of its announcement of a L391bn loss last year after 1993's L4bn profit, fell to an early L5,555 before picking up to finish L46 down at L6,045.

ZURICH was unable to hold on to its best levels but the SMI index still finished 11.7 ahead at 2,475.0, with technically motivated trading offered in explanation.

SBC closed SFr4 higher at SFr354 in relief at the bank's decision not to cut its dividend, in spite of a larger than expected 41 per cent plunge in 1994 profit to SFr811m.

Nestlé picked up SFr29 to SFr1,130 with one bank said to be covering a recent warrant issue. Brown Boveri gained another SFr14 to SFr1,102 as ABB continued to attract earnings upgrades for this year and 1996 from analysts. The shares have risen by 8.7 per cent in the week since the group reported 1994 results at the top end of expectations.

Surveillance added SFr30 to SFr1,775, continuing to benefit from its better than expected 1994 report.

AMSTERDAM featured a pair of strong outperformers as the AEX index fell only 0.10 to 394.71. The publisher, Elsevier, rose 70 cents to Fl 15.70 on a 16 per cent profits rise at its parent, Reed Elsevier; and Hoogovens rose Fl 1.50 to Fl 68.60 ahead of today's results.

MADRID lost a percentage point, the general index closing 2.65 lower at 267.65. The interest rate-sensitive electric utilities had a particularly bad time, with Endesa Pta180, or 3.45 per cent, lower at Pta5,030.

Written and edited by William Cochrane, Michael Morgan and Peter John

ASIA PACIFIC

Nikkei up 2.6%, region follows US lead

Tokyo

Nikkei 225 futures jumped on short covering, and arbitrage buying lifted the cash market by 2.6 per cent from Tuesday's 1995 low, *writes Emiko Terazono in Tokyo.*

The 225 average closed 421.01 higher at 16,665.83 after moving between 16,225.21 and 16,698.75 on the volatility of futures prices. The Topix index of all first section stocks rose 17.38, or 1.3 per cent, to 1,322.48 while the Nikkei 300 advanced 3.45, or 1.4 per cent, to 224.27.

Advances led declines by 761 to 261 with 141 unchanged, all sectors gaining ground on arbitrage buying. In London, later, the ISE/Nikkei 50 index closed down 1.90 at 1078.03. Volume totalled 330m shares, up from 291m, but cross trading by corporate investors and arbitrage activity accounted for the bulk of yesterday's transactions. Traders said that investors were reluctant to accumulate positions ahead of the March book closing, while the size of outstanding arbitrage positions also worried some institutions.

The Tokyo stock exchange yesterday announced that long positions against futures contracts totalled 1bn shares as of March, up 172.5m shares from a week earlier.

Fuji Bank was one of the few losers of the day, falling Y70 to Y1,880. Traders speculated that Nippon Sanso, the oxygen producer maker which last week announced that it would sell stocks to make up the extraordinary loss of Y11.9bn stemming from a failure in interest rate swaps, had liquidated its holdings in Fuji, its main creditor. Nippon Sanso, on the other hand, rose Y17 to Y437 on speculative buying. Other banks were firm, with the Industrial Bank of Japan up Y40 to Y2,340 and Dai-Ichi Kangyo Bank adding Y20 to Y1,640.

Construction companies were actively traded, but ended lower. Fudo Construction, the most active issue of the day, fell Y55 to Y885 while Sumitomo Construction, which ranked second, also declined Y7 to Y670. Arbitrage buying supported high-technology issues. Hitachi gained Y13 to Y852, Matsushita Electric Industrial rose Y20 to Y1,360 and Sony added Y70 to Y4,200.

In Osaka, the OSE average rose 203.79 to 18,453.02 in volume of 306.9m shares. Banks were actively traded while bargain hunting supported high technology stocks. Nintendo, the video game maker, rose Y100 to Y5,460 and Shima Seiki gained Y80 to Y5,500.

Roundup

Many regional markets responded to the renewed strength in US equities although Pakistan again suffered from the local violence.

HONG KONG jumped in response to Wall Street's record overnight close and, domestically, to Tuesday's positive government land auction.

The Hang Seng index surged 270.63 or 3.3 per cent to 8,365.21, its highest this year.

Turnover swelled to HK$4.7bn from Tuesday's HK$1.6bn with overseas institutions responsible for much of the buying. Prices fetched by two residential sites at Tuesday's government land auction were within expectations, as was the withdrawal of two commercial sites.

But investors were cheered by the return of major developers to the bidding, boosting property market confidence.

KARACHI fell by 2 per cent as the recent violence prompted foreign funds and local investors to sell heavily.

The 100-share index tumbled 35.98 to 1,736.76. Crescent Bank fell Rs2.50, or 6.4 per cent to Rs36.50. PTC Vouchers Rs1.15 to Rs33 and Pakistan Synthetics Rs2.30 to Rs47.20.

BANGKOK ended softer in spite of an announcement that the initial margin requirement for stock investors was to be lowered by 10 percentage points to 40 per cent. The index peaked at 1,166.89 but slipped back to close 3.20 off at 1,152.34 in volume of 52m shares.

WELLINGTON posted a strong gain thanks to strength in overseas markets and rises in the three top stocks. The NZSE Capital 40 index rose 18.75 to 1,953.35, in steady turnover of NZ$96.5m.

TAIPEI responded to late strong buying in electronics issues. The weighted index closed 74.88 up at 6,555.19 in turnover that rose to T$51.7bn from T$31.9bn. The electronics sector lifted 3 per cent as the strong Japanese yen was seen helping Taiwanese exporters.

SINGAPORE ended higher for the first time in weeks with signs of some US funds returning. The 30-share Straits Times Industrials index rose 18.14 to 2,076.52. The UOB OTC index, measuring Malaysian stocks, improved 7.55 to 1,061.29.

BOMBAY held a special, post-budget session to trade on India's populist budget proposals. Traders were disappointed at the lack of corporate tax cuts, and the BSE-30 share index dropped by 87.88, or 2.5 per cent to 3,399.1.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Mar. 10 1995	% Change over week	% Change on Dec '94	Local currency terms Mar. 10 1995	% Change over week	% Change on Dec '94
Latin America	(257)	361.32	-7.5	-37.7			
Argentina	(30)	504.90	+1.2	-31.2	310,281.08	+1.3	-31.2
Brazil	(72)	240.43	-12.2	-37.4	793.04	-9.8	-34.9
Chile	(36)	642.05	-5.0	-16.1	1,056.80	-6.7	-16.2
Colombia[1]	(16)	787.62	-6.6	-3.0	1,208.14	-5.9	+1.1
Mexico	(71)	312.23	-6.0	-48.6	895.49	+4.7	-30.7
Peru[2]	(20)	122.06	-7.9	-31.6	168.39	-7.2	-29.2
Venezuela[3]	(12)	408.23	-3.2	-17.5	1,593.35	-3.3	-17.6
Asia	(659)	230.94	-3.6	-7.4			
China[4]	(20)	67.95	-3.4	-10.4	72.35	-3.5	-10.6
South Korea[5]	(159)	128.35	+5.2	-6.2	131.74	+3.9	-7.1
Philippines	(25)	234.81	-7.1	-21.2	292.66	-7.4	-18.7
Taiwan, China[6]	(93)	149.36	-0.3	-9.2	146.38	-1.1	-9.8
India[7]	(103)	107.24	+0.5	-13.2	120.98	+0.6	-12.1
Indonesia[8]	(42)	92.57	-6.0	-7.2	111.93	-6.6	-6.0
Malaysia	(114)	259.72	-4.8	-3.4	244.64	-4.5	-3.4
Pakistan[9]	(36)	327.32	-0.8	-10.6	456.56	-0.8	-10.4
Sri Lanka[10]	(19)	143.82	+2.7	-16.4	155.07	+2.4	-16.4
Thailand	(68)	351.80	-5.4	-8.3	346.42	-5.8	-9.4
Euro/Mid East	(147)	121.03	+2.9	+2.1			
Greece	(40)	225.23	-0.7	-0.2	350.22	-0.6	-4.8
Hungary[11]	(5)	117.06	+2.4	-22.8	158.52	+3.3	-23.3
Jordan	(8)	156.64	+0.1	+4.4	226.96	-0.7	+2.1
Poland[12]	(16)	393.63	-2.1	-16.1	590.38	-2.8	-18.0
Portugal	(29)	120.57	-0.7	-0.4	123.45	-0.6	-6.8
Turkey[13]	(44)	132.19	+7.6	+8.6	2,602.69	+8.1	+17.8
Zimbabwe[14]	(5)	223.25	+0.3	-8.8	274.34	-0.9	-9.0
Composite	(1063)	246.10	-4.3	-19.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992 (13)Aug 4 1989; (14)June 2 1993.

Thailand's financial authorities attempted yesterday to breathe life back into the stock market, which has fallen by nearly 15 per cent since January, due mostly to tight liquidity and selling by European investors switching to Hong Kong.

The Securities and Exchange Commission cut the initial margin requirement for stock investors by 10 percentage points to 40 per cent.

The move followed the SEC's decision last week to lower the threshold for the enforced sale of shares bought on margin.

The market's liquidity problems were exacerbated on Tuesday when four of Thailand's leading banks increased interest rates for the second time in two weeks.

Earlier in the month, the central bank raised the bank rate to 10.5 per cent from 9.5 per cent.

The volatility of the global money markets and the weak dollar have also depressed the market, prompting many investors to hold cash.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 14 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 13 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	162.72	-0.2	151.94	93.77	119.69	145.33	0.0	4.09	163.06	151.93	93.01	118.15	145.28	190.82	157.95	177.12
Austria (18)	188.96	-0.9	174.57	107.74	137.40	137.36	-0.3	1.18	188.63	175.74	107.58	137.81	137.78	198.89	167.46	190.11
Belgium (35)	176.00	0.5	164.34	101.42	129.35	126.70	1.0	4.37	175.12	163.15	99.87	127.94	125.48	177.04	161.53	170.33
Brazil (28)	115.73	10.2	108.06	66.69	85.05	187.56	10.4	1.81	104.99	97.81	59.88	76.70	169.87	-	-	-
Canada (103)	128.79	0.3	120.26	74.22	94.65	132.09	0.6	2.64	128.39	119.61	73.22	93.80	131.31	141.01	120.54	136.19
Denmark (33)	257.45	0.6	240.38	148.36	189.20	198.55	0.4	1.56	256.65	239.11	146.37	187.50	197.76	275.27	236.61	270.18
Finland (24)	182.72	0.7	170.61	105.29	134.28	168.34	0.3	1.44	181.48	169.07	103.50	132.59	167.75	201.41	133.88	148.65
France (101)	165.06	2.2	154.12	95.12	121.31	129.89	2.2	3.31	161.53	150.49	92.12	118.01	127.20	181.44	157.78	178.47
Germany (58)	148.17	-0.6	138.38	85.39	108.89	108.89	0.0	1.95	149.10	138.91	85.03	108.93	108.93	154.61	132.08	136.36
Hong Kong (56)	329.20	-0.2	307.39	189.71	241.94	326.76	-0.2	4.06	330.03	307.47	188.22	241.12	327.58	416.42	277.40	408.41
Ireland (16)	205.44	-0.4	191.83	118.39	150.98	183.58	0.1	3.60	206.34	192.24	117.68	150.75	183.37	217.10	177.56	192.53
Italy (58)	69.91	2.4	65.28	40.29	51.38	87.85	2.0	1.77	68.25	63.59	38.93	49.87	86.09	97.78	67.25	77.21
Japan (484)	143.62	-2.2	134.10	82.76	105.56	82.76	-1.2	0.92	146.88	136.84	83.77	107.31	83.77	170.10	138.95	155.16
Malaysia (97)	461.18	-0.8	430.60	265.75	338.92	453.20	-0.8	1.73	465.08	433.30	265.25	339.83	457.02	594.76	398.16	490.78
Mexico (18)	766.02	-1.7	715.26	441.43	562.96	5456.51	0.1	1.99	779.53	726.26	444.58	569.52	5450.41	2414.12	647.81	2182.23
Netherland (19)	228.81	0.0	213.65	131.86	168.18	165.64	0.8	3.69	228.86	213.22	130.53	167.21	164.67	232.41	191.28	202.72
New Zealand (14)	72.46	-1.2	67.66	41.76	53.25	59.16	-1.1	4.98	73.34	68.33	41.83	53.58	59.79	77.20	62.05	69.18
Norway (23)	207.01	1.0	193.29	119.29	152.13	177.06	1.1	2.22	205.04	191.03	116.94	149.80	175.22	216.03	177.53	201.40
Singapore (44)	346.10	-1.1	323.17	199.45	254.36	225.76	-1.2	1.90	350.03	326.11	199.63	255.74	228.41	401.38	294.68	320.86
South Africa (59)	335.70	0.8	313.46	193.45	246.71	266.81	0.6	2.55	334.60	311.73	190.83	244.46	264.93	342.00	205.55	267.15
Spain (38)	126.96	1.7	118.54	73.16	93.30	124.12	1.2	4.52	124.81	116.28	71.18	91.19	122.68	150.21	124.81	148.10
Sweden (46)	240.00	2.5	224.10	138.31	176.39	256.55	1.5	2.10	234.22	218.22	133.59	171.13	252.69	247.40	196.70	222.39
Switzerland (47)	173.02	0.0	161.55	99.70	127.15	128.20	0.6	1.94	172.99	161.18	98.66	126.38	125.48	179.86	149.91	163.45
Thailand (46)	131.16	-1.8	122.47	75.58	96.39	126.14	-1.7	3.37	133.54	124.42	76.18	97.57	128.28	-	-	-
United Kingdom (204)	196.00	1.0	183.01	112.95	144.04	183.01	1.2	4.40	194.09	180.83	110.70	141.81	180.83	205.56	181.11	198.56
USA (512)	201.64	0.6	188.26	116.20	148.19	201.64	0.8	2.61	200.49	186.78	114.34	146.47	200.49	201.64	178.95	190.16
Americas (661)	184.28	0.6	172.06	106.19	135.43	154.80	0.7	2.79	183.12	170.60	104.44	133.76	153.79	-	-	-
Europe (720)	171.29	0.9	159.93	98.71	125.88	145.53	1.1	3.30	169.83	158.23	96.86	124.08	144.00	176.01	160.59	170.50
Nordic (128)	229.31	1.6	214.11	132.14	168.52	205.06	1.1	1.81	225.62	210.20	128.68	164.84	202.86	235.72	197.70	214.68
Pacific Basin (809)	151.61	-2.0	141.57	87.37	111.43	82.40	-1.1	1.31	154.65	144.08	88.20	112.99	83.41	176.96	145.93	164.74
Euro-Pacific (1529)	159.72	-0.7	149.13	92.04	117.38	112.71	-0.1	2.20	160.88	149.88	91.75	117.54	112.87	175.14	154.73	166.99
North America (615)	197.13	0.6	184.07	113.60	144.88	196.92	0.6	2.60	196.02	182.62	111.80	143.21	195.79	197.13	175.67	186.81
Europe Ex. UK (516)	154.12	0.6	143.91	88.81	113.27	124.21	1.0	2.87	152.92	142.47	87.21	111.72	123.00	158.19	144.12	151.81
Pacific Ex. Japan (325)	230.27	-0.6	215.01	132.70	169.23	202.91	-0.5	3.39	231.53	215.71	132.05	169.18	203.86	273.13	211.19	258.18
World Ex. US (1737)	160.18	-0.6	149.58	92.31	117.72	115.87	-0.1	2.21	161.18	150.17	91.93	117.78	115.93	175.65	155.42	168.45
World Ex. UK (2045)	170.41	-0.3	159.12	98.20	125.24	136.86	0.1	2.23	170.92	159.24	97.48	124.88	136.76	178.59	163.48	172.34
World Ex. Japan (1765)	189.74	0.6	177.17	109.34	139.44	177.42	0.7	3.01	188.57	175.68	107.54	137.77	175.14	192.00	176.34	186.94
The World Index (2249)	172.67	-0.2	161.22	99.50	126.89	140.95	0.2	2.44	172.97	161.15	98.65	126.37	140.69	180.90	165.92	174.65

Latest prices were unavailable for this edition.